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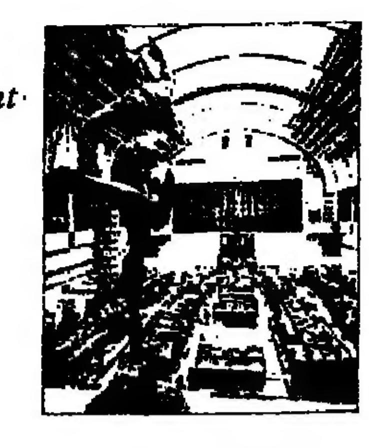

NEWSPAPER of THE YEAR

FINANCIAL TIMES

Tuesday September 8 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

UN pressure for resumption of Sarajevo flights

United Nations officials said that if relief flights to the Bosnian capital of Sarajevo were not resumed, efforts to build up winter stockpiles of food, medicine, fuel and shelter materials would be jeopardised. The airlift was suspended last Thursday after an Italian aircraft crashed near the Bosnian capital, killing all four crew. Page 20

Swedish interest in EFA: Sweden wants to take part in producing a smaller version of the European fighter aircraft as proposed by Germany, Swedish defence minister Anders Björck said. Page 6

Treuhand's new drive: The Treuhand, German government agency privatising former state companies in east Germany, launched a drive to encourage capital investment and stem the steep decline in output in the five new Länder. Page 3

Faster rail link: France and Switzerland are to consider building a high-speed rail line between Geneva and Macon, north of Lyon, which would cut the 3½-hour journey between Paris and Geneva to two hours.

Vickers loses chance of tank deal

Vickers of the UK has been excluded from a $2bn competition to supply 200 tanks to Sweden because it is unable to send one of its Challenger 2 tanks (left) for trials. Page 20

Rover cuts prices: UK carmaker Rover is cutting the list prices of most of its cars by up to 7 per cent, but is also cutting dealer profit margins from 17 to 10 per cent, which will reduce scope for discounting. Page 9

Profits up at Rugby: Share price of Rugby, Britain's third largest cement manufacturer, rose 5 per cent to 169p after the group announced a rise in first-half pre-tax profits to £30.2m ($61m) from £27.4m and held its dividend. The company offset a fall in UK profits with higher earnings from Australia and the US. Page 21; Lex, Page 20

Pentland Group, UK-based sportswear manufacturer which in July agreed to buy Adidas from Bernard Tapie Finance, announced interim profits of £19.7m ($39.2m), up from £6m, mainly due to interest on cash raised from last year's sale of a 32 per cent stake in Reebok. Page 21; Lex, Page 20

Nimbus Records sold: DLJ Merchant Banking, wholly-owned subsidiary of New York investment banker Donaldson Lufkin & Jenrette, is buying Maxwell Communication Corporation's 75.1 per cent stake in Nimbus Records, Wales-based classical music label and manufacturer of compact discs. No price was disclosed. Page 27

Suter profits up: A lower interest charge enabled Suter, UK-based distribution, industrial and chemical group, to announce a 2 per cent increase in profits to £9.4m ($18.7m) for the six months to June 27, although turnover dipped 3 per cent to £101.3m. Page 27

Sime Darby, Malaysia based conglomerate, announced pre-tax profits for the year to June 30 up 11 per cent at M$755.4m (US$303m). Sime's biggest cash earner was its Hong Kong operation, where it is the main automotive and heavy equipment distributor. Page 23

Tight rein in Argentina: Argentine economy minister Domingo Cavallo attacked critics who seek an increase in government spending, saying Argentina's disastrous experience with inflation meant that "we cannot have a fiscal deficit for many years". Page 5

Satellite contract for China: China has broken into the international telecommunications market with a contract to launch satellites for international co-operative Intelsat, owned by national telecommunications bodies including British Telecom, AT&T and Deutsche Telekom. Page 6

Société Générale, French private sector commercial bank, has acquired a 30 per cent stake in Hong Kong-based stockbroking group Crosby Securities and intends to increase its holding to 49 per cent. Page 21

Fears over diamond smuggling: De Beers, South African group which controls about 80 per cent of the world's trade in uncut diamonds and hopes to set up a Russian cutting centre, expressed concern about the number of diamonds being smuggled out of Russia. Page 28

Gower dropped: David Gower, record England run scorer, and Allan Lamb are not included in the England cricket squad which is to tour India this winter. Mike Gatting and John Emburey, banned after the "rebel" tour to South Africa, were recalled.

STOCK MARKET INDICES

FT-SE 100:	2,372.2	(+10.0)
Yield	5.18	
FT-SE Eurotrack 100	1,032.29	(+3.01)
FT-A All-Share	1,128.80	(+0.4%)
FT-A World Index	143.94	(−0.35)
Nikkei	18,448.18	(+115.21)

LONDON MONEY

3-mo Interbank	10⅜%	(10⅜%)
Liffe long gilt future:	Sep 97 15/32	(Sep 97 15/32)

NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$20.275	(20.15)

GOLD

London	$343.15	(341.5)

STERLING

London:		
$	1.993	(1.9955)
DM	2.795	(2.8)
FFr	9.5075	(9.5275)
SFr	2.4825	(2.4975)
Y	246.25	(245.75)
£ index	92.4	(same)

Tokyo close Y 123.45

The New York markets were closed yesterday

Austria	Sch30	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.250	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Bulgaria	Lewa25	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Cyprus	C£1.00	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Czech	Kcs35	Italy	L2500	Oman	OR1.50	Syria	SyP50.00		
Denmark	DKr14	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Egypt	E£4.50	Korea	Won 2500	Philippines	Peo45	Tunisia	Din1.250		
Finland	FM10	Kuwait	Fils.600	Poland	Zl 18,000	Turkey	L6000		
France	FFr8.50	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00		
Germany	DM3.30	Lux	LFr60	Qatar	QR12.00				
Greece	Dr250								

Shift to roundtable formula viewed as political retreat

Kohl seeks consensus on costs of unification

By Quentin Peel in Bonn

GERMANY'S chancellor Helmut Kohl, facing accusations of indecision and weak leadership, yesterday summoned a roundtable of industry, trade unions, government and opposition, to negotiate a "solidarity pact" to finance the growing cost of unification.

He rejected calls for a "grand coalition" with the opposition Social Democrats to tackle the country's gathering economic crisis. At the same time, his right hand man and parliamentary leader, Mr Wolfgang Schäuble, denied press reports that he was plotting to take over from the chancellor.

Mr Kohl's move amounts to a belated recognition that budget stringency at a time of slowing west German economic growth cannot alone finance the massive transfers required to revive the east German economy – currently running at around a net DM150bn ($107bn) a year.

His adoption of the roundtable formula to negotiate a consensus is also a political retreat. The proposal was first made by the five leading German economic institutes almost a year ago and was spurned by the government.

The move was welcomed by the opposition SPD, which said it was ready for talks on the problems of east Germany. There was no immediate reaction from the trade unions.

Mr Kohl will undoubtedly be looking for a commitment on wage restraint from the unions, increased contributions by industry to eastern investment, and further efforts to curb government spending and subsidies in the west.

Mr Dieter Vogel, the government spokesman, said the object of the talks, against the background of "an increasingly difficult world economic situation", would be to ensure the competitiveness of Germany as an investment location in the 1990s, and the rebuilding of the east German economy and administration. It should also finalise agreement on the financial burden-sharing between the central government, the federal states, and local authorities.

Talks between officials at "expert level" would begin in the chancellor's office next week, he said.

One unanswered question last night was whether the Bundesbank would be given a seat at the table in an effort to co-ordinate monetary policy with the economic needs of the east.

The call for a "solidarity pact" from all sides of the German economy followed the chancellor's failure to persuade an emergency meeting of the three ruling coalition partners – Christian Democrats, Free Democrats, and Christian Social Union – on Sunday night to agree new ways of financing east German recovery.

Mr Theo Waigel, the finance minister and CSU leader, and Mr Otto Lambsdorff of the FDP, rejected any "compulsory bond" or levy on the better-paid to finance the east.

Page 3
■ Treuhand tries to halt fall in east's output
■ Far-right violence continues unabated

Supporters of the ANC hurl themselves to the ground as troops in the South African 'homeland' of Ciskei open fire in an incident that left at least 24 people dead and 146 wounded

Ciskei shooting, Page 20

Major rejects call for UK referendum on Maastricht

By Philip Stephens, Political Editor, in London

MR JOHN MAJOR, the UK prime minister, confronted his Euro-sceptic critics in the Conservative party yesterday with a strong defence of the Maastricht treaty and a blunt rejection of their calls for a British referendum.

Mr Major's support for a Yes vote in the French referendum on September 20 came as the British EC presidency started work on a list of options to persuade the Danish electorate to reverse its rejection of the agreement on European Union.

Those options may include a British-style escape clause from monetary union and qualification of the treaty's defence and social provisions, as well as attempts to define closely the powers of Brussels through the concept of "subsidiarity" – devolving decisions back to national level.

In a speech to a London conference billed as a centrepiece of the British presidency, Mr Major insisted that the path for Europe mapped out by the Maastricht treaty would not submerge the national identities of member states.

His comments brought an angry reaction from Tory Euro-sceptics, who renewed their demand for a referendum, but won praise from Mr Paddy Ashdown, leader of the strongly pro-European Liberal Democrats.

Mr William Cash, a leading sceptic on the Tory backbenches said it was "disgrace" that there would be no British referendum. Mr Michael Spicer, another anti-Maastricht campaigner, accused Mr Major of becoming "increasingly out of touch with what the people want on this matter".

Acknowledging that the British bill to ratify Maastricht would have a "bruising passage" through the House of Commons, Mr Major acknowledged the anxieties of those who feared that the EC would "ride roughshod" over national identities. But he dismissed the "phantom" of a centralised superstate conjured up by Euro-sceptics. He said: "The reality is that no nation's identity will ever be lost. Whatever happens in the Community, the French will be no less French, the Germans no less German, the Danes no less Danish and – I promise you – the British no less British."

Maastricht was part of a larger EC agenda which included completion of the single market, enlargement and closer political co-operation in responding to crises such as that in the former Yugoslavia. Nor was the treaty – the result of a series of tough compromises – perfect.

But in setting out a vision of Europe designed to undercut the arguments of Lady Thatcher, his predecessor, Mr Major declared that the treaty represented a "vitally important step in a new direction for the Community".

Its provision for intergovernmental co-operation outside the Treaty of Rome had reversed the centralism of previous agreements: "It is the key to progress .... a turning point".

If the French vote Yes, Mr Major plans to meet Mr Poul Schlüter, the Danish prime minister, in London at the end of the month. Mr Schlüter has promised a white paper outlining Denmark's position following the treaty's rejection in a referendum.

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Pound slips ½ pfennig despite EC statement

By James Blitz in London

STERLING closed half a pfennig weaker in London yesterday, in spite of attempts by European Community finance ministers at the weekend to calm the foreign exchange markets.

Currency trading was thin because of the Labor Day holiday in the US. But investment in D-Marks continued, pushing the pound down to a close of DM2.7950, less than 2 pfennigs above its floor in the European exchange rate mechanism.

The dollar also traded weakly, closing unchanged at DM1.4030. It continued to be weighed down by Friday's poor US jobs data which showed a monthly drop of 83,000 in the non-farm payroll, and the cut in the Federal Reserve's Fed funds rate by ¼ of a percentage point.

Many dealers appeared to disregard a resolution by EC finance ministers that there would be no realignment in the European exchange rate mechanism before or after the French referendum on the Maastricht treaty.

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French campaign begins with voters still undecided

By William Dawkins in Paris

OFFICIAL campaigning in the French referendum on European union began yesterday with the latest opinion polls showing many voters still undecided.

Mr Laurent Fabius, first secretary of the ruling Socialist party, kicked off the media campaign for the Yes camp with an evening television appearance. The Gaullists divided their first broadcast between arguments for and against the treaty, reflecting divisions in their ranks.

The media campaign was overshadowed by a row over allocation of airtime, which the CSA broadcasting authority has divided out according to the number of seats in the National Assembly held by political parties.

This has given the Yes campaigners, which consist of the leadership of mainstream parties both on the right and left, an hour and 20 minutes over the next fortnight to the September 20 vote. A mere 11 minutes has been allotted to the anti-Maastricht camp, a fragmented group of rebel centre-right politicians, a small band of dissident Socialists, plus the extreme rightwing and the Communists. Another half-hour has been allocated for combined campaigning which could be devoted to debates on both sides.

Mr Jean-Pierre Chevènement, leader of the anti-Maastricht Socialist rebels, appealed to the CSA to apply the rules more fairly. In an attempt to beef up the No movement, he and Mr Charles Fiterman, a former Communist minister, agreed to campaign jointly.

Latest opinion polls showed support for the treaty strengthening. A Louis Harris poll for the magazine VSD last night indicated 59 per cent – of those expressing a choice – in favour, the biggest margin for more than a month. But 39 per cent did not make their preference known. A survey published by the CSA polling institute showed 54 per cent backing for Maastricht.

Opposition to the treaty had grown through the summer to peak with a small majority against at the end of August. Since then the trend has started to creep back.

French unions yesterday entered the campaign, showing themselves to be as divided over European union as the rest of the

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CONTENTS

Business leaders united behind Maastricht — almost

Chairmen of France's two biggest private-sector companies vote No, writes William Dawkins

THE heads of France's top companies today launch their campaign for a Yes vote in the September 20 referendum on European union, marred by divisions in their top ranks.

They will issue a manifesto signed by 115 industrial leaders belonging to the Institut de l'Entreprise, an influential think-tank of top managers. They including such heavy hitters as Mr Antoine Riboud, chairman of the BSN foods group, Mr Raymond Lévy, the recently retired chairman of Renault, and Mr Jean-Louis Beffa, head of glass and pipes maker Saint-Gobain.

However, the list will be notable for the absence of the chairmen of France's two largest private-sector companies, the deeply anti-Maastricht Mr Jacques Calvet, at the Peugeot car group, and Mr Pierre Suard of Alcatel Alsthom, the engineering and telecommunications giant, a recent arrival in the No camp.

Critics of Mr Calvet and Mr Suard claim the pair, both close to the right-wing political opposition, are mavericks. Yet they do represent an important minority in France's business community.

As evidence of the split among France's company directors, a mid-August poll of senior managers by Louis-Harris showed only 59 per cent in favour of Maastricht. Mr François Perigot, president of the Patronat employers' association, was revealingly cautious on the treaty last week, saying that he would vote in favour, but he would give no orders to company directors.

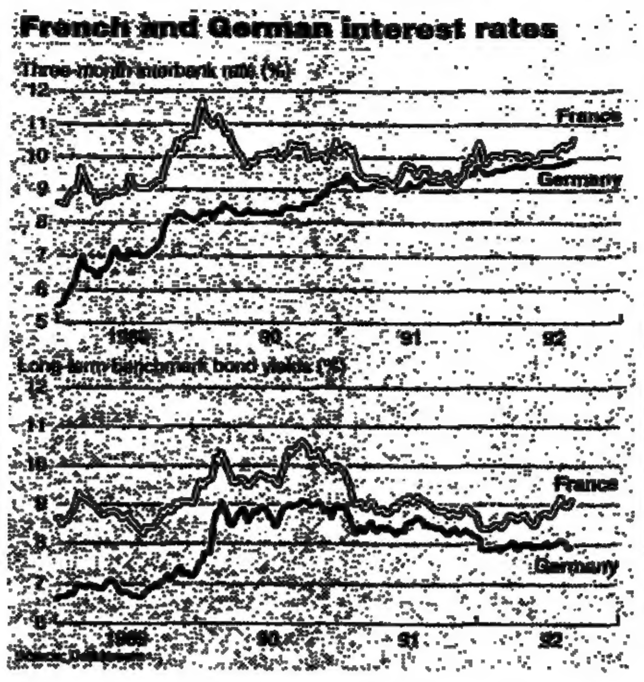
This split may come as a surprise to some of their competitors, who feel French industry should have nothing to lose from Maastricht since France is one of the only two European economies — the other is Luxembourg — able to fulfil the stringent criteria for monetary union.

So what are the arguments? Both Mr Suard and Mr Calvet fear that the treaty's free-market policies will throw Europe open to their industrial competitors without obtaining anything in return, possibly killing some struggling strategic sectors. They are not alone, for the need to defend some kind of industrial policy still runs strong on both sides of politics, even though state interventionism has broadly been on the retreat in France for the past decade.

"In some sectors, like electronic components, it is too late. The Community's free market policy is suicidal, notably in the face of the Japanese," explained Mr Suard in a survey of top managers' voting intentions. Mr Calvet — who, ironically, was once an adviser to the pro-European former French President Valéry Giscard d'Estaing — believes unbridled competition from outside Europe, coupled with the budgetary rigours imposed on some governments, would drive unemployment even higher.

Mr Calvet, who also warns of domination by the Brussels bureaucracy, traces the growth of liberal economic policies in the EC to Britain's entry into the community in 1973. He voted against British entry at the time and sees it as "the beginning of the disappearance of the EC in favour of a vast, neutered, free exchange zone", which will be reinforced by the treaty.

Pierre Suard
Chairman, Alcatel Alsthom: close to right-wing opposition but recent arrival in No camp



Jacques Calvet
Chairman, Peugeot car group: represents important minority in France's business community

Among Yes voters in France's boardrooms, currency stability is the most commonly cited advantage seen in the Maastricht plan. "This will place us on an equal footing with the Americans and give us the world's top currency," predicts Mr Jerôme Monod, chairman of Lyonnaise-des-Eaux-Dumez, the water distribution-to-construction conglomerate. Economic and monetary independence is no longer possible, he argues, as shown by France's own failed attempt at a go-it-alone economic relaunch in 1981, followed by a decade's convergence of interest and inflation rates towards those of Germany.

Mr Jean-René Fourtou, chairman of Rhône-Poulenc, the state-owned chemicals giant, adds that Maastricht "is also the creation of a monetary union founded on especially healthy principles: the fight against inflation, a limit on budget deficits and mastering state debts. For Rhône-Poulenc, these signify... better clarity in management."

However, Mr Fourtou is being careful not to campaign among his employees, for fear of inflaming the No vote. "As in public opinion, the discrediting of [official] power worries company heads," he says.

The treaty's main shortcoming is a "blind submission to monetary ideology", says another business leader in the Yes camp, Mr Bertrand Collomb, chairman of cement maker Lafarge Coppée.

But he nevertheless supports monetary union because "no company can make long-term plans in an integrated economic area unless the risk of exchange rate variations between countries is finally got rid of."

The European Monetary System, as it is now, does not guarantee such stability. Once the single market is in place, Mr Collomb believes EC governments should seek a "more subtle" economic policy than the market liberalism in the treaty.

Despite the rifts at the top, the impression that French voters will be offered today is that the business establishment is on balance in favour of monetary and political union, for simple economic self-interest. This no-nonsense message could help bolster the fragile majority in favour of European union, given that much of the French public's hesitation over Maastricht appears to be rooted in distrust of the political establishment, which has taken the lead in the Yes campaign.

EBRD chief Attali warns of 'slide into tribalism'

EC urged to renegotiate trade deals with eastern Europe

By David Marsh

THE EC was urged yesterday to renegotiate its trade association agreements with Czechoslovakia, Hungary and Poland to overcome protectionism in dealings with eastern Europe.

Mr Jacques Attali, president of the European Bank for Reconstruction and Development, painted a sombre picture of a "slide into tribalism" in the former communist bloc which could disrupt both eastern and western Europe.

He underlined the link between economic dislocation and social and political unrest, saying the conflict in the former Yugoslavia "may only be the beginning" of fresh turmoil elsewhere.

Mr Attali, a former adviser to President François Mitterrand, used his speech and Britain's EC conference to deliver a ringing endorsement of the Maastricht Treaty. If the French failed to ratify it — which he was convinced would not happen — this would be "a disaster for the whole continent".

Once the treaty had come into effect, the EC should draw up better terms for the trade agreements with the former communist states of central and eastern Europe. They should be seen "as future members, not as competitors to be kept out".

The accords lay down strict quotas for exports of goods such as chemicals, textiles, coal and steel from Poland, Czechoslovakia and Hungary. These were the products where these countries' chances of earning foreign exchange were highest, Mr Attali said.

He omitted to mention that in another field — agriculture — the French government has taken a tough line on limiting access from the east to the EC market.

"I would not like historians to conclude that the agreements were conceived to help the EC by seeking protection," he added.

Mr Attali pointed out that since the events of 1989, the Czechoslovak and Polish economies had shrunk by about 20 per cent, with the economy in Bulgaria declining 30 per cent.

He extended the doomsday mood by warning that the world might be "on the verge of economic crisis".

He criticised the high level of German interest rates, and said there was a risk that countries might have to adopt "war economy" measures as a result of the collapse in asset prices and mass unemployment.

Interest rate rise pushes lira higher

By Robert Graham in Rome

THE Italian lira recovered slightly yesterday in response to the raising of the discount rate by 1.75 points to 15 per cent by the Bank of Italy on Friday.

But the price of this defensive measure, raising the discount rate to its highest since 1985, was a sharp fall on the Milan bourse. Share prices retreated an average 3.02 per cent as analysts worried about the impact of higher interest rates on a wide swathe of quoted companies. Since the beginning of the year, but especially in the past two months, share prices have fallen 30 per cent on the Milan bourse.

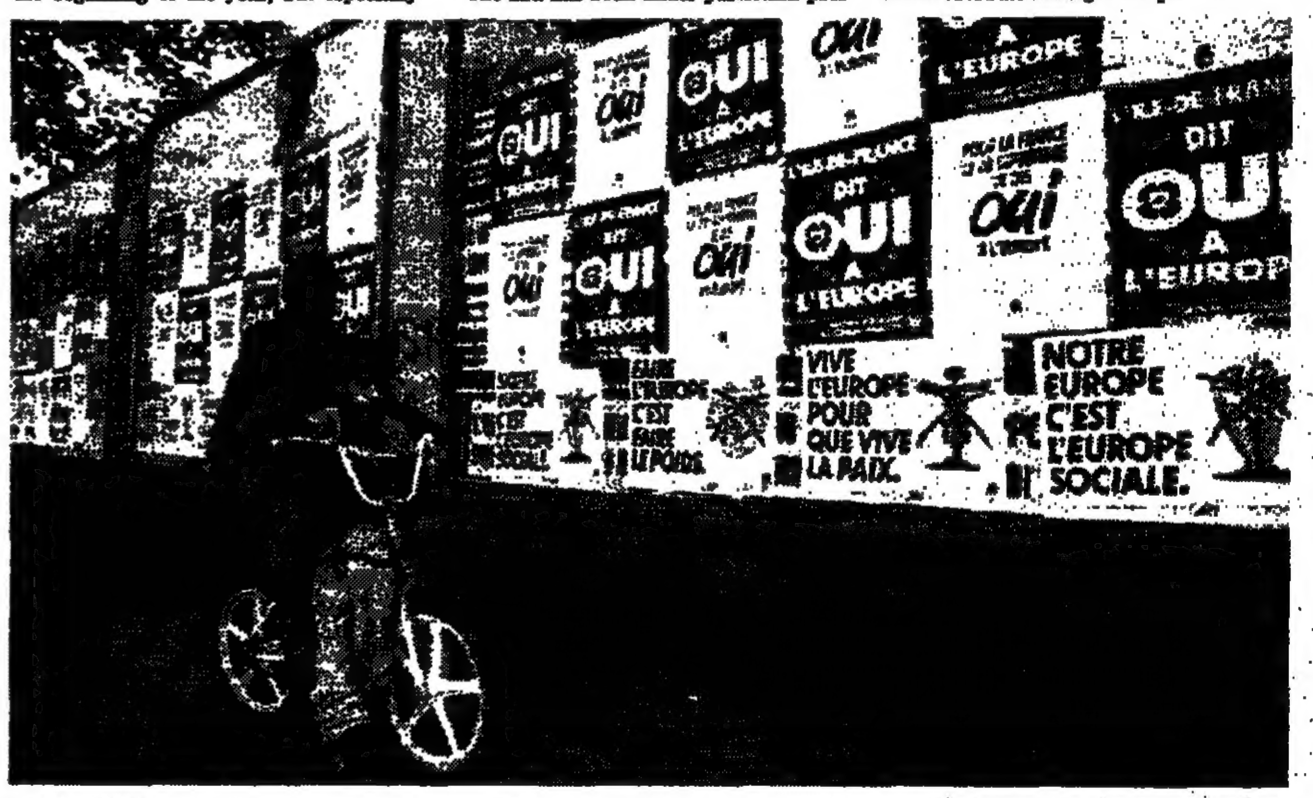
Yesterday, the commercial banks emphasised the high cost of credit by following the discount rate rise. Most commercial banks raised their prime rates in line by 1.75 points and the upper limit of rates now charged to customers moved as high as 23 per cent.

The lira was fixed yesterday at 763.40 against the D-Mark, compared with Friday's 765.40, the floor level permitted within the European Monetary System.

The lira has been under particular pressure during the past 10 days since the first polls in France showed a majority would vote against the Maastricht treaty in the referendum on September 20.

A no result would profoundly affect Italy which has a huge public sector deficit, high indebtedness, above average inflation and a week currency.

Foreign currency dealers said the lira remained vulnerable even though the authorities have made clear their determination to defend the existing parity and the Bank of Italy can call on unlimited credit from its stronger EC partners.



Parisian children pass in front of a wall covered with posters urging a Yes vote in favour of the Maastricht Treaty in the French referendum on September 20

Danes may seek special status

By Hilary Barnes in Copenhagen

DENMARK must be given a special status within the European Community following the country's rejection of the Maastricht treaty in its June 2 referendum, Mr Poul Nyrup Rasmussen, the leader of the Social Democratic party, said.

The Danes stunned Europe in June by narrowly rejecting the Community's Maastricht Treaty in a referendum.

Mr Rasmussen said Denmark must be allowed exemption from a common defence policy or a common defence force, and a common currency or economic policies which follow from the common currency.

The Social Democratic party, currently in opposition, is expected to play a significant role in Denmark's negotiations with the EC because of the fragmented state of the eight-party governing coalition.

Mr Rasmussen argued that Denmark could not stop the other 12 member states from proceeding with the Maastricht Treaty, if it was endorsed by the French electorate, and Denmark must therefore aim to negotiate a special status.

Mr Poul Schlüter, the prime minister, told Conservative party delegates at the weekend there would be a second referendum in Denmark on a new basis for Denmark's European policy, perhaps in the first half of 1993. It would offer a different agreement with the Community, since the voters could not be asked to vote twice on the Maastricht Treaty.

He said his minority Conservative-Liberal coalition government would seek parliamentary approval for a new popular vote. The Social Democratic party said it would support a new referendum, giving the prime minister the majority needed to call the vote.

"We now wait for the 12 EC members to come up with an agreement proposal," said Mr Bjorn Westh, the Social Democrats' EC affairs spokesman.

Mr Schlüter also repeated the government's view that the Maastricht Treaty could not come into force without Denmark's signature and said the other 12 member-states would thus have to wait for negotiations with Denmark before the treaty was implemented.

'Good for Britain and good for Europe'

Following are highlights from Mr John Major's speech to the UK presidency conference.

TWO weeks from now we will know the result of the French referendum on Maastricht. It is a pivotal event...The Danish referendum has already narrowly said No to the treaty. The combination of that and of a French "Non" would be decisive. Without the consent of all 12 member states, the Maastricht Treaty cannot proceed. It would be dead.

Even if, as I hope, the French vote Yes, the Danish difficulties must still be overcome. And then, across Europe, national parliaments must approve the treaty. In the United Kingdom it may have a bruising passage since — uniquely in the Community — we in Britain will scrutinise the bill line by line, clause by clause and vote on it in the same way. I believe myself that this is a more effective scrutiny than referenda where many votes may be cast on matters wholly unrelated to the treaty. In Britain we do not face a referendum and, given our parliamentary procedure, I have no hesitation in rejecting the concept.

The Maastricht Treaty is a product of compromises by 12 nations. A hard-fought outcome. No one member state regarded it as ideal. But we all regarded it as the right outcome for the development of Europe...

Overall, the treaty is good for Britain and good for Europe. However, important as Maastricht is, we should not let this particular strand of European development blind us to the other issues before us. Maastricht deserves approval but it is by no means the whole agenda.

It is but part of a bigger agenda. We have also to:

- Complete the single market by the end of the year;
- Strengthen political co-operation, for example, over Yugoslavia;
- Complete difficult negotiations over future financing;
- Seek a successful Gatt outcome;
- Show that justice/home affairs co-operation is alive and well;
- Strengthen links with eastern and central Europe;
- Prepare for enlargement. Efta first, then eastern Europe.

What lies at the heart of the Community is one very simple idea... by binding together the nations of Europe in a common economic framework, it would be possible to build an inextricable network of shared interests that would render war between former enemies impossible.

The idea has worked. The Community has been the answer to the destructive side of nationalism in western Europe...

But there are concerns about how it develops that European governments must address. Many European citizens fear for national self-identity. Will it be lost? Will their domestic interests be subordinated? Will they forever face frustrating restrictions? You could sense that debate in Denmark. It is alive in France. It is an everyday currency in the German Länder. It flourishes in the UK...

Major: "the right outcome"

The Community must show that these fears are phantoms. To do so it must recognise and build on national identity and national pride, not appear to ride roughshod over them. For the reality is that no nation's identity will ever be lost. Whatever happens in the Community, the French will be no less French, the Germans no less German, the Danes no less Danish and the British no less British...

At the core of the Treaty of Rome lies the notion of democratic consent. Its opening words are these: "Determined to lay the foundations of an ever-closer union among the peoples of Europe". Not ever closer union among governments or bureaucracies but among people. Not federation but conciliation and consent.

For many countries in the Community, the idea of a common defence lies at the heart of political union. There is a tension between those member states who believe that we must make progress towards a common defence between the countries of the European Community and those, like Britain, who believe that we have a common defence of Europe and that that common defence is called Nato. Maastricht does not resolve the argument for all time. It does, however, preserve the benefits of what we already have. It maintains the primacy of Nato while building up the European role within Nato...

What has happened in the former Yugoslavia illustrates both the strength of nationalism and the need to harness it. Not repress it. But channel it.

None of us can foresee accurately the world in which we will be living in 20 years' time. But what we can see now is that the American presence on our continent is essential, both for our defence and for European stability.

The Maastricht Treaty enshrines two very important ideas. The first is that the Community should only do those things which cannot be better done at the level of member states. That implies scrapping some existing, overbearing legislation, as well as avoiding new, unnecessary regulation. The second is that we can act together in unison without necessarily acting within the framework of Community law. This is a revolutionary change. In foreign policy and in matters of interior affairs and justice we shall work together as 12 within a treaty framework, but that framework will be distinct from the Treaty of Rome.

In this respect the Maastricht Treaty showed a mature Community coming of age. It can develop outside the Treaty of Rome as current events are showing. Indeed, it must if the Community is to develop collectively. We need not be confined into centralism.

It is the key to progress. The lesson of Maastricht is that we do need to work together, but we do not on every issue need Community law to make us work together.

In other words, the very centralising tendency that many are so worried about was addressed and corrected at Maastricht. Maastricht is not the complete answer, but it is the first vitally important step in a new direction.

So what would be the position if the Maastricht Treaty was not ratified by all the member states and could not be implemented? Would all those gains be lost? The fact is that you could not set aside the results of a hard-fought negotiation and expect to keep all the gains. I believe that what we won at Maastricht is worth preserving. If the Maastricht Treaty is not ratified, the arguments within the Community will not go away. They will have to be gone through again.

Up to now we have decided on our pattern of development and growth from within. For nearly 50 years the shape of our continent was frozen under communism. But, now, even if it wanted to, the EC could not ignore the rest of Europe. It does not want to. *All of us have decided it is essential to embrace the democracies to the east.* To the countries of eastern Europe the Community has been a source of hope and inspiration through decades of Communist tyranny. Now they are free and the Community must underpin both their economic development and their democratic stability.

So, over the next 10 years, what happens outside the present borders of the European Community will be as important to our development as what happens inside the existing Community. The Community will be joined by countries who have rediscovered their nationhood.

As I intimated earlier, no treaty is ever perfect: they are all the outcome of a hard negotiation and therefore a compromise. That is true of Maastricht. But if Maastricht did not enter into force, the alternative would not be the status quo ante. The real issues which affect the Community — our economic development, enlargement, our response to international events and crisis — all require a response. To be effective that needs to be a response agreed among all of the member states. Maastricht gives us the means of doing just that.

UK Euro-sceptics step up referendum calls

By Alison Smith

MR John Major's firm rejection of a British referendum on the Maastricht treaty failed to deter Euro-sceptic Tory MPs yesterday from stepping up their campaign to make him change his mind.

Sir Teddy Taylor, Tory MP for Southend east and secretary of the Conservative European Reform Group, said he was asking the prime minister to meet a delegation of MPs to discuss a UK referendum, in the light of a public opinion poll showing two-thirds in favour of one.

Not to grant a referendum would, he said, be a "denial of democracy" and having one would be a way of relieving tensions with the Tory party.

There are signs that some Tory dissidents who originally opposed the idea of a referendum on constitutional grounds have now become reconciled to it, and that if the demand for one became the main thrust of the Euro-sceptic campaign, it would not cause it to splinter, as it would once have done.

Mr Bill Cash, another Tory MP, said it was a "disgrace" that there had been no British referendum, and that the treaty should be renegotiated whatever the result of the French vote.

Mr Michael Spicer, the Tory MP who organised the House of Commons motion calling for a "fresh start" on Europe, called for renegotiation of the treaty of Rome, to remove the European Commission's law-making capacity.

And he warned that given yesterday's newspaper poll showing that three-quarters of the public would not vote for closer ties with Europe, it was "very worrying that the political leaders of all parties are getting increasingly out of touch with what the people want on this matter."

About Mr Major's speech itself, there was little enthusiasm. "Mr Major cannot ride more than two horses at once," Mr John Biffen, a former Tory cabinet minister, said, adding that it did not suggest he had "a clear and decisive European policy". Another senior Euro-sceptic commented: "The UK presidency is obviously a constraint on what he can say."

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Treuhand tries to halt fall in east's output

By Leslie Colitt in Berlin and David Waller in Frankfurt

THE Treuhand, the German government agency charged with privatising former state companies in east Germany, yesterday launched a new drive to stem the steep decline in output in the five new Länder.

The programme will include revised guidelines to encourage capital investment. The Treuhand, which is struggling under a cumulative debt which will reach DM137bn by the end of this year, will make its debut in the international bond markets next month to borrow up to DM10bn (£3.5bn).

A 10-year bond is expected to raise between DM8bn and DM10bn, depending on the acceptance by the markets.

Mrs Birgit Breuel, the Treuhand president, announced the bond issue against the background of plummeting sales by Treuhand companies and a darkening outlook for the German economy.

Mr Hero Brahms, a member of the Treuhand executive board, said Treuhand companies this year might achieve only 70 per cent of 1991 turnover. The chief reason was the almost total collapse of the former Soviet market.

Mrs Breuel said the Treuhand's remaining 3,810 companies – 9,000 were privatised to the end of July – need to boost investment for urgently-needed restructuring. Last year's investment level of 10 per cent of sales was the minimum needed but companies, anticipating further steep falls in sales, had signalled they would invest less next year.

"We are telling the companies to scrutinise their investment plans and are issuing them guidelines.

"They have until September 30 to come up with new investment plans," she said.

The Treuhand would continue to provide equity capital and liquidity to companies which presented a workable restructuring concept and would assume their past debts. Mrs Breuel said the Treuhand aimed to find new owners by the end of next year for all its companies found suitable for restructuring. The large companies among those remaining could be placed under limited partnership management, while the smaller ones would be placed in privatisation funds, which could be run by banks or other financial institutions.

Mrs Breuel said that in recent months many of the Treuhand companies had assumed that a breakthrough was imminent in Bonn's negotiations with Moscow to revive trade. Although the Russian government pledged payment of DM5bn for goods covered by German export credit guarantees the pledge was not implemented.

She said the situation was complex. The Treuhand would support its companies in long-term efforts to detach themselves from markets in the Commonwealth of Independent States, which "obviously will remain difficult", according to Mrs Breuel. There was no sense in trying to revive trade by means of subsidies, she added.

The Treuhand already has a DM10bn German commercial paper programme of which about DM7bn has been issued. This existing short-term debt has been assigned a top credit rating and both rating agencies (Standard & Poor's and Moody's) have said that bond issues by the Treuhand would be rated triple A.

Traders said yesterday that the Treuhand's bonds were likely to be priced at a narrow discount to the existing 7.78 per cent yield on 10-year Bunds, reflecting the fact that the new issue will be guaranteed by the federal government. The yield is thought likely to be set at around 7.85 per cent.

The new issue will be traded on all German stock exchanges, and the bonds will be "deliverable" into the German government bond futures contract traded on the Deutsche Terminbörse, the German futures and options exchange. This means that the new bonds will be used to settle Bund futures contracts when they expire, thus enhancing the appeal of the new paper to international investors. Mrs Breuel's critical remark coincided with a plan put forward yesterday by Mr Otto Wolff von Amerongen, chairman of German industry's Eastern Board of Trade. Mr Wolff proposed that roubles be used in addition to hard currency in order to boost German-CIS trade. He said the German companies would need to be able to invest rouble proceeds in Russian property and factories.


Breuel: revised guidelines to encourage more capital investment

Waigel to orchestrate budget debate

Any doubts the opposition cares to voice will be brushed aside, writes Quentin Peel

A strange air of unreality hangs over the great budget debate which will open today in the German Bundestag.

Mr Theo Waigel, the irrepressible finance minister, will produce his plans for 1993 and medium-term targets until 1996 with the self-satisfied air of a man who has fought and won to impose strict savings on his fellow ministers. He will mock all attempts at questioning or interruption with his earthy Swabian sense of humour, refusing to give any straight answers.

Then the opposition Social Democrats, led by the eminently reasonable Ms Ingrid Matthäus-Maier, will declare the whole exercise outdated and irrelevant, and demand that the finance minister return to the drawing board and redraft the entire plan.

She will declare that the whole budget exercise grossly underestimates the medium- and long-term needs of the east German economy, and that urgent action is needed to cut the budget deficit and finance investment spending there to create new jobs and revive production.

The minister will win the day, but the opposition may well have justice on its side.

For the truth is that since Mr Waigel proudly pushed his DM435.7bn (£156.1bn) "austerity budget" through the cabinet last July, cutting total spending to a strict 2.5 per cent growth rate (and an average 2.3 per cent per year to 1996), a new debate on financing investment in eastern Germany has blown up.

The budget as tabled is in line with Mr Waigel's absolute insistence – backed by Chancellor Helmut Kohl – that the costs of unification can be financed without new tax increases, based on strict spending control and economic growth.

He has succeeded in cutting key areas like defence spending (down 2.5 per cent to DM50.8bn), family spending and pensions (minus 0.5 per cent), and regional subsidies paid by the economics ministry (down 4.8 per cent).

By far the biggest increases, inevitably in view of the rampant unemployment and demand for retraining and comprehensive new infrastructure investment in the east, go to the employment ministry (up 8.8 per cent to DM98.78bn) and transport (up 10.7 per cent to DM44.25bn). That is not to mention the 14.1 per cent increase in the cost of servicing the federal debt, up from DM12bn to DM13.7bn. Overall it shows creditable restraint.

MEDIUM-TERM FINANCE PLAN 1992-1996 (in DMbn)

	1992	1993	1994	1995	1996
Expenditure	425.1	435.7	452.0	452.0	465.0
Increase over previous year (%)	–	+2.5	+3.8	0	+2.9
Income:					
a. tax income	350.2	367.5	394.1	401.0	421.4
b. other income*	34.4	30.2	28.6	25.0	21.6
Net borrowing requirement	40.5	38.0	29.3	26.0	22.0

* Includes Bundesbank profits, post office transfers, etc. Source: Federal Ministry of Finance

Yet as soon as the budget, and the medium-term finance plan, were approved by the Cabinet, concerns started to emerge that they were hopelessly unrealistic in spurning new sources of finance.

Mr Waigel's medium-term restraint has only been achieved by assuming zero growth in spending in 1995, thanks to a forecast end to federal payments to the German Unity Fund (running at DM24bn a year), and to DM6bn in federal subsidies for Berlin.

At the same time he is setting aside just DM13bn from those savings as a reserve to cover the debts of the Treuhand privatisation agency – a figure described as "totally unrealistic" by Mr Helmut Wieczoreck, the SPD budget spokesman. He reckons a minimum Treuhand reserve of DM30bn will be needed. The Treuhand is supposed to be wound up in 1995, and its debts taken over by the public purse: Mr Waigel assumes that at least half the debts (currently forecast at DM250bn) will have to be taken over by the five eastern states, although they are unanimous that they have no hope of financing them.

Thus the real hole in state spending – which a compulsory levy or Germany bond might finance – falls from 1995 onwards.

The government has produced plans for an autobahn toll, and possible petrol tax increase, dressed up to be anything other than tax rises to finance unification. They might help pay for the huge task of restructuring the German railway system, including the amalgamation of the western Bundesbahn and the eastern Reichsbahn. Then late last month, under urgent pressure from its eastern members, the joint parliamentary group of Mr Kohl's Christian Democrats (CDU) and Mr Waigel's Bavaria-based Christian Social Union (CSU) suddenly proposed a compulsory bond or levy, to be imposed on the better-paid if they were not already investing in east Germany. It was a rabbit out of a hat, produced by Mr Wolfgang Schäuble, the CDU parliamentary leader, to appease the east.

Instead it has caused a new bout of blood-letting within the ruling coalition, divided the CDU itself, and launched a raft of rumours about Mr Schäuble seeking to destabilise the chancellor himself.

There will be repeated demands for Mr Waigel to spell out his best estimates of the full long-term cost of reviving the east German economy, and then to say precisely how he hopes to finance it.

That is where Chancellor Kohl's move to summon a new conference of government, opposition, employers and trade unions, to negotiate a "solidarity pact" to finance the future needs of the east, comes into play. It will buy the coalition time to get its budgetary house in order. It may even produce a few ideas on how to bridge the budgetary gap in the years to come.

Far-right violence continues unabated

By Leslie Colitt

ATTACKS on asylum-seekers in east and west Germany failed to abate over the weekend despite official demands that assailants be punished more harshly.

Ten persons, including six Vietnamese asylum-seekers, were injured late on Sunday night when right-wing east German youths threw petrol bombs at their flat in the city of Halle. Three Germans also received burns in the attack which set the flat on fire as well as other parts of the apartment building. Police said nearly 20 youths between the ages of 14 and 16 were believed responsible.

Earlier in the evening 15 men gathered before a flat occupied by Vietnamese and threw stones and flaming objects through the window. A Vietnamese woman suffered burns. Four men were arrested in Hanau, west Germany, and accused of attempted murder and arson. They were said to have planned to set ablaze a nearby barracks housing nearly 1,000 asylum seekers. The men, aged 19 to 23, were said to be skinheads but did not belong to a political group.

● Spiegel TV said it had new documents from the files of the former East German Stasi security police showing that Mr Manfred Stolpe, prime minister of Brandenburg state and east Germany's most prominent politician, was given the East German Medal of Merit at the personal order of Mr Erich Mielke, the Stasi chief, who is standing trial in Berlin.

Mr Stolpe said last week that he regretted having accepted the medal. Spiegel TV said the Stasi document contained Mr Stolpe's code name "Secretary" and number under which he was registered as a Stasi informer.

Mr Stolpe previously said he never knew that he was registered by the agency as an informer, although he admitted to frequent meetings with Stasi officers.

New Polish cabinet eases IMF doubts

By Anthony Robinson and Christopher Bobinski in Warsaw

THE NEW Polish government, headed by Ms Hanna Suchocka, appears to have restored Poland's credibility with the International Monetary Fund, despite a much higher than projected budget deficit for this year.

An IMF team, led by Mr Michel Deppler, was "impressed by the package of government policies which represent a substantial attempt to get to grips with its serious problems," said Mr Mark Allen, head of the fund's Warsaw office.

The IMF suspended disbursements on its original $1.7bn (£850m) three-year extended loan facility a year ago after Poland failed to meet a series of performance targets. But the new government's refusal to be stampeded into wage concessions by the recent wave of strikes, and its plans to raise new taxes and cut social spending, have given substance to its pledges to cut next year's budget deficit to around 5.5 per cent from an expected 8 per cent this year.

The IMF team leaves Warsaw today after paving the way for a new lending agreement during a week of talks with government officials.

A full Fund mission is expected in Warsaw next month to negotiate a new 18-month stand-by agreement.

Bosnian Croats threaten Moslems

By Judy Dempsey

CROATIAN forces in Bosnia-Hercegovina yesterday stepped up their attempts to consolidate their grip over occupied areas by threatening to expel Moslems living in the region.

The expulsion threat comes after months of mass deportations of Bosnia's Moslem community by Serb forces led by Mr Radovan Karadzic.

It also comes in the wake of Croatian expulsions of ethnic Serbs living in Croatia.

But the latest move by Croat forces indicates that Croatia and Serbia are determined to divide up Bosnia between each other, leaving the Moslems, who make up 44 per cent of the 4.3m population, without a homeland.

Croatian forces, backed by Croatia, already hold a swathe of territory in western Hercegovina. Serbs hold about 70 per cent of Bosnian territory, stretching across from eastern Bosnia, up to the north, and across to Krajina, the self-proclaimed Serb republic in Croatia.

The expulsion of Moslems by the Croats would also put paid to a so-called military alliance between Croatia and the Bosnian government last June.

Norway raises interest rate

NORWAY'S central bank raised its key overnight lending rate yesterday by one percentage point to 11 per cent, writes Karen Fossli in Oslo. The aim was to relieve pressure on the krone caused by recent European interest rate rises, especially in Sweden and Finland.

The overnight rate was last changed in September 1991 when it was raised from 9.5 per cent. The central bank also raised the credit rate – the interest rate the banks receive on central bank deposits – from 9 to 11 per cent.

Lithuanian N-plant scheduled to restart

By Bronwen Maddox, Environment Correspondent, in London and Karen Fossli in Oslo

LITHUANIA'S nuclear power plant, which runs the largest remaining Chernobyl-type reactors, was due to restart last night after an emergency shutdown at the weekend.

The alarm comes a week before the 24 OECD countries meet in Brussels to discuss who should foot the bill for repairing dangerous eastern European nuclear reactors. A July meeting of the Group of Seven industrialised countries failed to agree a plan.

The closure of the Ignalina plant near Vilnius followed the rupture of a tube in the main circuit of the two 1,500MW reactors, which produce half of Lithuania's electricity.

Mr Heikki Reponen, head of Finland's nuclear security authority, was given assurances by Ignalina officials that no radioactivity had been released but commented: "The technical and control standards are extremely low." The International Atomic Energy Agency added: "The reactor is not in the best of shape."

Russian authorities were also denying access to the Norwegian-Russian research ship Viktor Bujnitskij, which was monitoring radioactivity in the Kara Sea north-east of Norway. Norway estimates that 13 reactors from former Soviet atomic submarines and nuclear-powered ice breakers were dumped over a decade ago and fears radioactive leaks.

The Norwegian fisheries association said even rumours about the possibility of a nuclear accident could ruin its export markets for fish.

● The Russian central bank has moved to tackle arrears accumulated by Russian state-owned enterprises in dealings with those in other former Soviet republics but denied this signalled an expansion of central bank credits, writes Leyla Boulton in Moscow.

It said a "netting out" of debts would be completed by the end of November. But it was not clear how the net arrears still outstanding after that to Russian enterprises by republics in the rest of the Commonwealth of Independent States and Georgia would be financed.

The Russian central bank plans to issue guarantees for Russian enterprises to receive credit to get over the non-payments by other republics.

Italian union chief accepts pleas to return to the fray

By Robert Graham in Rome

MR Bruno Trentin, leader of the CGIL, Italy's largest trade union confederation, has proved a well-worn maxim of Italian political life – resignations must never be taken at face value.

Scarcely was the ink dry on the historic agreement signed on July 31 between the government, employers and the unions ending indexed wages when Mr Trentin handed in his resignation.

It was a puzzling gesture from the country's most prestigious and intellectually gifted union figure, especially when his charisma was needed most by the CGIL as well as the government and employers. Ever since then he has been under pressure to reconsider.

This he did at a special three-day meeting of the CGIL's 250 senior officials last week. The meeting turned into a virtual re-election of him in his four-year post as secretary general, to which he was elected last October. Despite objections from a hardline minority, the CGIL leadership also endorsed the July agreement ending the 47-year-old *scala mobile* system of indexed wages.

It will be replaced with a limited system of compensating wages for inflation through to 1994. As of January 1993, workers will receive an extra L20,000 (£9.30) per month for 13 months. This is well below the inflation rate of 3.5 per cent projected for 1993 and does not compensate for this year's wages falling behind consumer prices.

The government has agreed to freeze public sector tariffs and is offering the possibility of tax breaks to offset unexpected rises in inflation – issues tackled yesterday in the first government-union talks since the summer recess.

Mr Trentin's acceptance of the deal was bitterly criticised by many in the rank and file who claimed that hard-won union gains had been traded for token concessions. However, last week he told his critics that his acceptance had been determined by reasons of state: this was not the moment to sign inflationary wage deals.

He also threw light on the reasons behind his resignation. He knew the agreement was controversial and considered his resignation the best way to focus discussion.

Behind such noble sentiments, he let slip another consideration: he was fed up presiding over a federation torn by political rivalries.

The two elements of the former Italian Communist party – the Party of the Democratic Left (PDS) and Reconstructed Communism – have shamelessly used the CGIL as an arena to pursue vendettas arising from the collapse of communism.

Beyond these manoeuvrings lies the unresolved issue of the role of a hitherto powerful trade union movement in what is now a rich and increasingly market-orientated country.

Government insists it is business as usual

Irish beef probe puts strain on coalition

By Tim Coone in Dublin

IRELAND'S so-called beef tribunal resumes today after a summer recess, with the prospect of the country's present and immediate past prime ministers appearing in the witness stand in the next few weeks.

Government spokesmen insist that the atmosphere in the coalition cabinet of prime minister Albert Reynolds continues to be one of business as usual, but it is clear that the coalition came under increasing strain before the summer as the tribunal started to hear testimony from key witnesses. That strain could reach breaking point this autumn.

Last month the Supreme Court granted an injunction to the attorney general which in effect prevents the tribunal from investigating past cabinet decisions relating to the beef industry. It did so just as key witnesses such as Mr Reynolds and former prime minister Charles Haughey were due to take the witness stand.

The Tribunal of Inquiry into the Beef Industry was established in June last year as a parliamentary inquiry to investigate allegations of fraud, malpractice and political favouritism in Ireland's multi-million pound beef industry. Many of the allegations have focused on Goodman International, a private company headed by Mr Larry Goodman and Europe's biggest beef processor.

The allegations had been made in parliament and in a TV documentary screened earlier in 1991. Then prime minister Mr Haughey described them as "one of the most persistent and venomous political campaigns ever waged in an attempt to discredit the government over the affairs of the Goodman companies...."

Mr Haughey has since been swept away by a wave of scandals, some of which are still the subject of official inquiries. A number of political careers remain on the chopping block, not least that of Mr Reynolds. He was industry minister at the time of the alleged wrongdoings and is likely to be called to the witness box within the next two weeks.

Reynolds, left, faces questioning about his ministry's relations with the company belonging to Goodman

The proceedings have provided an intriguing insight into the process of decision-making in the Irish civil service and the way in which powerful business interests have helped shape government policy and decisions involving hundreds of millions of pounds of taxpayers' money. The question of whether the influence that was exerted lay within the bounds of normal commercial practice lies at the heart of the inquiry.

The tribunal has heard of official documents being altered, apparently by civil servants, statistics from different government departments flatly contradicting each other, ministers making statements to parliament on the basis of erroneous information provided to them by their department officials, and apparently key meetings taking place between ministers and businessmen for which no official minutes were kept.

A report published in the Irish Times last weekend that 70 per cent of the beef sold to Iraq under insurance cover was in fact sold out of EC intervention stocks has added a further twist to the saga, and a new point of attack for Mr Reynolds' opponents. He said on local radio yesterday: "It was a revelation to me."

In July, the first cabinet minister gave evidence to the tribunal – Mr Des O'Malley the industry minister, and the leader of the Progressive Democrat party which is in coalition with Mr Reynolds' Fianna Fail party. He made clear he believed Mr Reynolds had exhibited serious errors of judgment in allegedly going against civil service advice in approving up to I£325m of export credit insurance to Goodman companies for beef exports to Iraq in 1988, while curtailing the availability of insurance cover to other companies in all sectors of Irish industry.

It all squares rather poorly with the promise of open government made by Mr Reynolds when he took office last February. That promise helped keep the coalition together immediately after Mr Haughey's demise.

The tribunal is due first to investigate contributions made to political party funds by the beef industry before Mr Haughey and Mr Reynolds are called to give evidence later this month.

It is perhaps no coincidence that insistent rumours of an early general election, perhaps before next spring, are circulating in Dublin's corridors of power.

Japan urged to open car market

By Kevin Done, Motor Industry Correspondent

THE European Business Community in Japan has attacked the Japanese car market for being "*de facto* a closed shop".

In a recently published report it maintains that "many non-tariff barriers and structural impediments remain."

According to the EBC's automotive committee the share of imported cars in the Japanese new car market has only risen to 4 per cent despite the removal of tariff barriers since the 1980s.

The committee claims that the European Community's automobile trade deficit with Japan has continued to grow significantly and reached almost Ecu4bn (£2.9bn) in the first half of 1992, accounting for about 30 per cent of the EC's total trade deficit with Japan.

The EBC automotive committee maintains that an import market share of 17.5 per cent of the total Japanese new car market is "an essential and realistic target" for all importers by the year 2000.

Acea, the association of European vehicle makers in Brussels, yesterday urged the European Commission to press for "enhanced market access" in Japan.

Acea is urging the Commission to make "reciprocal automotive competition" the key to further progress in EC-Japan automotive trade relations.

The call comes as the European motor industry faces the start of a challenging new era for Japanese vehicle imports from January with the advent of the single European market.

From the beginning of 1993 the present system of bilateral restraints on Japanese direct vehicle exports to five EC countries – France, Italy, Spain, Portugal and the UK – is to be replaced by a joint monitoring system administered by Brussels and Tokyo.

NEWS: AMERICA

Cavallo firm on Argentine austerity

By John Barham in Buenos Aires

MR Domingo Cavallo, Argentina's economy minister, yesterday lashed out at critics who are seeking to soften his strictly orthodox policies by demanding an increase in government spending.

In a hard-hitting speech at a conference of bankers, Mr Cavallo warned that Argentina's disastrous experience with inflation meant that "we cannot have a fiscal deficit for many years. We must revive the idea of budgetary restrictions: that we only spend what we raise in taxes. It would be foolish for us to throw away all we have achieved and return to inflation. That hurts the poor most of all."

His speech comes after a week of vicious infighting within the government, in which even President Carlos Menem seemed to withhold support from the minister. Mr Cavallo is being blamed by the opposition and some cabinet colleagues for worsening poverty.

Mr Cavallo said: "In September we have reached the maximum bearable level for public spending in Argentina." Spending in 1993 would be held at its present level.

Earlier this year he told the International Monetary Fund (IMF) he would boost current spending in line with economic growth. In 1993 it was to rise 7 per cent over 1992 to about $35bn (£17.5bn).

However, Mr Cavallo said a $300m monthly increase in pensions now meant that spending would be frozen.

Just as spending has reached the limit, so has the tax burden. He said that, while his campaign against tax evasion would continue, added revenue would not be used to increase spending but to eliminate inefficient taxes.

The minister also called on the private sector to make greater efforts to become competitive, instead of demanding protection. However, the business community accuses Mr Cavallo of inaction in reforming the labour market, which they say is the principal source of Argentina's poor international competitiveness.

Reformist zeal tests the public's patience

Initial euphoria over Domingo Cavallo's economic reforms might be wearing thin, writes Stephen Fidler

IN A country where economy ministers are usually despised, Mr Domingo Cavallo is one of Argentina's most popular public figures. Twenty months into his stewardship of Argentina's inflation-prone economy, Argentina's economic prospects appear transformed.

After a decade of slow growth and world-beating inflation rates, growth is healthy – perhaps 7 per cent this year – and inflation has collapsed.

With President Carlos Menem allowing him political room for manoeuvre, Mr Cavallo continued and improved the programme of deregulation and privatisation started soon after Mr Menem assumed power in July 1989.

But he has done more. He has boosted tax revenues, mainly through assertive application of a value-added tax, and has cut government spending, abolishing subsidies to state-owned industries and shrinking the bureaucracy. There are signs the government was in overall surplus for the first half of this year, for the first time in memory.

His most controversial action was to fix, by law, the Argentine currency to the US dollar. The move forbade the central bank from issuing currency unless backed by inflows of foreign exchange. The law, which took effect on April 1 last year, also meant any devaluation required an act of Congress. Curbing the chronic deficit and reining in the central bank have been the key to lowering inflation.

However, there are signs that the early euphoria which greeted Mr Cavallo's programme is wearing thin. After quadrupling investors' money in 1991 and surging ahead in early 1992, the Argentine stock market has collapsed, falling by more than 50 per cent between early June and late August. The fall does not yet appear to have shaken confidence in the economy. International reserves have continued to rise, signifying that inflows of private capital have not been choked off.

These inflows are necessary to offset the country's worsening current account position, caused in part by a consumer boom which has followed the ending of import controls and reduction of tariff barriers. The current account has swung into deficit as the trade surplus has narrowed: the surplus for the first five months of 1992 was about $700m (£351.7m) against $2.4bn in the same period of 1991.

Mr Peter West, economist at the Chartered WestLB merchant bank in London, says there are signs the import surge is levelling off, partly reflecting an easing in consumer spending.

While that suggests some relief for Mr Cavallo's programme, its medium-term prospects for success will be determined in large part by whether the country can improve on its poor investment record.

According to J.P. Morgan, the New York bank, Argentina's gross investment as a proportion of GDP fell to 8.9 per cent in 1990, a level at which it would barely be replacing depreciation. Last year the rate was 10 per cent.

Morgan suggests the gross investment over the next five years needed to secure 5 per cent annual growth in Argentina is $125bn, against the $51bn actually invested between 1987 and 1991.

Mr Cavallo has said the investment rate is rising sharply, perhaps to 18 per cent this year (although his figure may not be directly comparable with those provided by Morgan). However, as Mr West points out, it is important to know where that investment is going. If much of it is headed – as has been suggested – for the fast-growing services sector, it would not provide the platform for the export of manufactured goods or agri-products that Mr Cavallo must be hoping will stir growth.

Service industries are more lucrative as, unlike the traded goods sector, profits have not been squeezed by imports. This is a potential problem for Mr Cavallo; the lack of competition in services explains why retail prices have risen about 19 per cent in the year to August, while wholesale prices have gone up only 3-4 per cent.

He can argue that this is not affecting Argentine competitiveness because businesses pay wholesale prices, and inflation compares favourably with that in the US. But there are signs the inflation rate is causing rumblings in the labour market. If Argentine producers give in to wage increases, this will damage competitiveness and bring shriller calls for a devaluation.

Mr Cavallo believes that the competitive benefits of devaluation will be dissipated in weeks through higher costs. However, sooner or later he or a successor will have to confront the issue of devaluation.

By its own admission the government needs to do more to provide long-term balance to its finances. It has already reached agreement with provincial governments to provide a share of its tax receipts to the state pension scheme. This will allow the government to raise pensions to minimum levels. More fundamental reform, including a partial privatisation of the system, has been delayed until late in 1993.

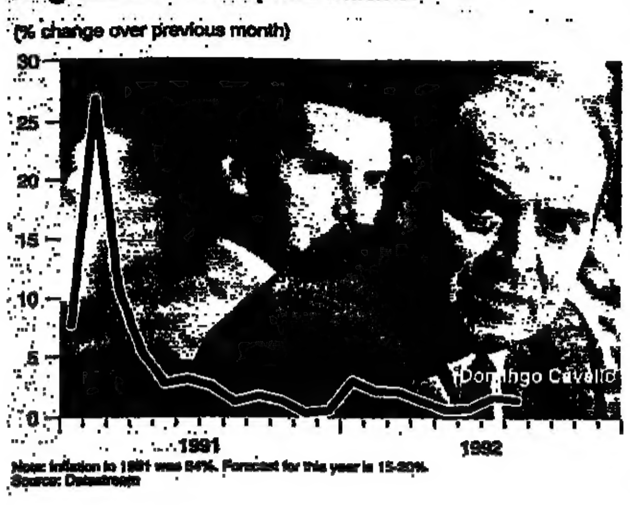
Privatisation of enterprises is going ahead, although some sell-offs have hit difficulties.

The government's debt accord with international banks has also met a hitch, as banks have overwhelmingly chosen one option – which demands most in guarantees from the government. Few observers believe the deal will be allowed to fall over this.

The central question, however, is whether the will of the Argentine electorate will hold out over the rest of the reform programme, likely to take at least 18 months to complete.

Argentina: retail price inflation

(% change over previous month)



Note: Inflation in 1991 was 84%. Forecast for this year is 15-20%.
Source: Datastream

President keeps date with Brazil military

By Christina Lamb in Rio de Janeiro

BRAZILIAN President Fernando Collor made his first public appearance yesterday since being accused in a congressional report of involvement in a multi-million-dollar corruption scandal.

Defying threats of mass demonstrations calling for his impeachment, Mr Collor attended the yearly military parade to mark Independence Day. The occasion was marked by tight security, and Mr Collor arrived by helicopter rather than the traditional open-top car. He did not inspect troops.

The opposition dropped planned demonstrations as they did not want to upset the military. Instead they have called for a day of national protest against Mr Collor on Friday. However, the end of yesterday's ceremony was marked by boos. Mr Etewaldo Dias, Mr Collor's spokesman, said that "this is a normal part of democracy. I heard applause as well as boos."

All but four of Mr Collor's ministers were present, in an apparent show of unity. They have reiterated their decision to stay on until the congressional vote on whether to impeach Mr Collor, due in the next few weeks. The latest poll of congressmen, by the Jornal do Brasil newspaper, found 342 in favour of impeachment – more than the two-thirds necessary.

Mr Collor's most immediate threat could come from the attorney-general's office, which is considering opening a criminal case against the president.

The police are investigating a computer disc obtained by the Inland Revenue from the offices of Mr Paulo Cesar Farias, the president's former campaign treasurer, who is at the forefront of the corruption investigation. The disc apparently lists government contracts, successful bidders, the percentage of alleged kickbacks and names of those who received payments.

Electoral jostling set to preoccupy US legislators

By George Graham in Washington

THE US Congress reconvenes in Washington today for a final session that is likely to see more jockeying for political position than efforts to enact legislation.

With a fiercely fought presidential election entering its closing stages – a last flurry of campaigning traditionally launched during yesterday's Labor Day holiday – the tussle between the Democratic-controlled Congress and Republican President George Bush has already assumed a central role in the contest.

Mr Bush yesterday continued his campaign attack on the "gridlocked Democratic Congress", which he blames for not passing his legislative proposals. The topics on which he and Congress are likely to clash in the next few weeks include the North American free trade agreement (Nafta), which some leading Democrats fear could cost US jobs; the mismanagement of federal disaster relief to Florida and Louisiana in the wake of last month's Hurricane Andrew; and a bill to guarantee the same rights to choose an abortion as are currently protected by the Supreme Court's Roe vs Wade decision.

In his battle against Congress, Mr Bush has sought to don the mantle of President Harry Truman, whose come-from-behind victory in 1948, with a campaign against the "do-nothing Congress", has become his favourite reference.

But Governor Bill Clinton, the Democratic candidate who in recent opinion polls leads the incumbent president by a margin of between 6 and 15 percentage points, yesterday hit back with a visit to President Truman's hometown of Independence, Missouri.

The visit was designed to remind voters that Mr Truman was a Democrat and that the Congress he railed against was controlled by Republicans.

Mexican textile and oil disputes resolved

TWO of Mexico's longest and most bitter labour disputes have been resolved, with the bulk of 22,000 striking textile workers returning to work yesterday and another 15,000 former oil workers ending their civic protests in return for compensation from the state oil company, writes Damian Fraser in Mexico City.

A few thousand of the former oil workers had occupied Mexico's central square for 39 days, bringing further chaos to Mexico's congested historical centre. The workers were protesting against their dismissal and demanding severance pay.

The oil workers were joined by fishermen and farmers demanding compensation for the pollution caused by Petroleos Mexicanos (Pemex), Mexico's state oil company, to their lands and fishing waters.

Under the agreement Pemex has agreed to compensate "temporary" workers who had been with the company before 1990 and consider the demands of others, including those of the fishermen.

On Friday the textile workers agreed to a 14 per cent wage increase and some modifications in work rules, ending a 59-day strike. The textile owners had originally offered a 10 per cent wage increase, while the workers had initially demanded 50 per cent and then 15 per cent. About 30 per cent of the textile mill owners refused to sign the agreement.

During the strike about 60 mills filed for bankruptcy, according to the national textile chamber, and another 50 may file soon.

NEWS: WORLD TRADE

THE FARNBOROUGH AIR SHOW

China in deal to launch satellites for Intelsat

By Daniel Green

CHINA has signed a contract to launch satellites for Intelsat, the international telecommunications co-operative, Prof Yue Zhuzhen, deputy general manager of the China Great Wall Industry Corporation, said yesterday.

The contract is a coup for China in its efforts to break into western markets, because Intelsat, the international satellite consortium owned by national telecommunications bodies including British Telecom, AT&T and Deutsche Telekom, is the world's biggest buyer of international telecoms satellites.

It is also a warning to European and US launchers that competition will intensify; Russia has this year tendered for commercial launches of western satellites, for the first time. Ariane, owned by a French-led consortium, is market leader, followed by McDonnell Douglas, General Dynamics and Martin Marietta, all of the US. The launch of the Intelsat 7A on China's Long March 3B rocket is scheduled for 1995. The 3B, an untested variant of the Long March 3, will be the biggest space launcher yet developed by China.

Last month, China completed its second international commercial satellite launch – a US-built satellite operated by Aussat, an Australian company half-owned by C & W of the UK. Go-ahead for the Intelsat contract still depends on US goodwill. Washington must first give an export licence for the satellite built by Loral of the US, and agree to extending an agreement between the US and China over the prices and frequency of Chinese launches.

Sweden ready for smaller EFA

By David White, Defence Correspondent

BOEING IS set to sign a contract to sell commercial aircraft to Tarom, the Romanian state-owned airline, this week, Daniel Green writes. Boeing has already sold aircraft to a string of other former east European communist countries. The contract is possibly for fewer than five Boeing 737s, the model sold to CSA Czechoslovakian Airlines, Malev of Hungary, Lot of Poland, Balkan Bulgarian Airlines, and JAT of Yugoslavia.

SWEDEN will be ready to take part in producing a smaller version of the European Fighter Aircraft (EFA) as proposed by the German government, it said yesterday.

Mr Anders Björck, Swedish defence minister, said it would not be realistic to expect the current EFA partners (Germany, Italy, Britain and Spain) to buy Sweden's new single-engined JAS39 Gripen fighter. But the JAS consortium, including Saab and Volvo, might share in producing a redesigned EFA.

Mr Björck said at Farnborough that many elements of the two aircraft would be "more or less identical". The EFA partners are studying ways of cutting costs after Bonn's declaration that it would seek co-operation on a cheaper and lighter aircraft. Britain is resisting big changes in the EFA design, saying performance targets must be kept.

Sweden's order programme for the Gripen, involving 140 aircraft, would be completed by 2001, Mr Björck added.

The Swedish partners would then be able to take part in collaborative production. Sweden wanted its aircraft industry kept independent, with more room for foreign involvement.

GEC-Marconi secret contract

By David White

GEC-MARCONI is keeping secret the identity of an overseas government which has placed an order for sophisticated air-to-ground weapons.

The order is the first new contract for guided weapons received by the UK company since it completed takeover of Ferranti International's missile operation earlier this year.

The sale involves weapons developed under a contract with the United Arab Emirates. Ferranti inherited this programme from International Signal and Control, the US contractor it took over in 1987.

The programme involves a specially designed family of air-launch weapons, from guided bombs to missiles.

Mr David Fletcher, GEC-Marconi managing director, confirmed there was "another customer" for the system besides the UAE. GEC-Marconi has been trying to build on the former Ferranti division to establish itself as a prime contractor for guided weapons. Its activities in the sector were previously limited to guidance systems. Mr Fletcher said further acquisitions were planned in the next year, both in the UK and abroad, to strengthen the business. The company's ambitions were set back earlier this year when a joint bid with Matra of France for an RAF air-to-air missile was beaten by British Aerospace.

Germany aims to lead in aerospace

By Paul Betts

GERMANY sees the weakness of the world aerospace business as a chance to take the lead there again.

Mr Jürgen Schrempp, chairman of Deutsche Aerospace (Dasa), aerospace arm of Germany's Daimler-Benz group, said it aimed to be Europe's new regional jet leader, a senior partner in the Airbus programme, an equal one in European military aircraft collaboration, and take a key role in Europe's space industry.

Dasa would be a junior partner in Europe's turbo-propeller aircraft market, now led by the Franco-Italian ATR partnership.

"The current problems of the industry are not good for our profits, but there is a strategic opportunity for us and for European collaboration as a whole," he said. When other European aerospace companies are retrenching, Dasa is continuing its drive to restore the German aerospace industry to European leadership, a source of concern to UK aerospace officials.

Mr Schrempp said Dasa expected to complete its agreement to take a 51 per cent stake in Fokker, the Dutch group, by the end of November. Partnership with Fokker would form a basis for a new European grouping in the regional aircraft field, eventually extending to Aérospatiale of France and Alenia of Italy.

Collaboration on regional jets was Europe's only chance of survival in this sector. British Aerospace is reviewing its own regional jet activities.

Dasa has now taken control of Germany's 37.9 per cent Airbus stake. Airbus' next challenge was to develop the new 600-seat jumbo jet. He suggested Airbus partners should consider links with the Russian aerospace industry to study developing a super jumbo. Dasa Daimer-Benz now had links with Mitsubishi of Japan. The EFA programme would have to cut costs, but he believed it would fly, probably in a modified version.

Canada counters E Asia's Nafta fears

By Kieran Cooke in Kuala Lumpur and AP

MR Michael Wilson, Canada's industry and international trade minister, has rebutted statements by Malaysia and other East Asian countries about the North American Free Trade Area (Nafta) being a trade bloc and barrier to trans-Pacific trade growth.

"Nafta is a free-trade agreement. It's not our intent to see any increase in barriers with other countries," he said in Kuala Lumpur.

Japan and Malaysia, meanwhile, agreed yesterday to issue a "strong warning" to the US, Canada and Mexico over Nafta. Mr Kozo Watanabe, minister of international trade and industry, said he had agreed with his Malaysian counterpart, Mrs Rafidah Aziz, to issue the warning. Asked to elaborate, Mr Watanabe said: "We will express our opposition to regionalism and protectionism in all cases."

The Japanese have expressed concern that Nafta could lead to the world splitting into trade blocs. Mr Watanabe said the warning would be issued at the Asia-Pacific Economic Co-operation (Apec) talks in Bangkok on Thursday.

Asked if he discussed a two-year-old proposal for an East Asian Economic Caucus (EAEC) aimed at economic and trade co-operation, Mr Watanabe said: "We discussed the future of Asia from a broader perspective, including all of these matters." Japan has not supported the EAEC concept.

Dr Mahathir Mohamad, Malaysian premier, has been pushing for EAEC. The US opposes it, saying it would "draw a line through the Pacific". The issues are likely to head talks at the Apec talks.

Slow embrace of former rivals

Leyla Boulton on growing trade links between Russia and Turkey

RUSSIA and Turkey next month celebrate the 500th anniversary of diplomatic relations between once great empires whose former rivalry has been replaced by political co-operation, grandiose investment projects – and debt squabbles.

Catapulted to the status of a regional power by the break-up of the Soviet Union last December, Turkey is aiming to achieve what its ambassador in Moscow calls a "strategic partnership" with Russia, embracing both politics and economics.

While building up close links with the central Asian republics, Turkey is already co-operating with Russia on finding solutions to ethnic conflicts in the Trans-Caucasus. Both Turkey and Russia have a common interest in preventing strife between Azerbaijan and Armenia spilling over their borders.

Turkey also wants to harness Russian energy supplies and high technology to Turkish trading skills and industrial potential.

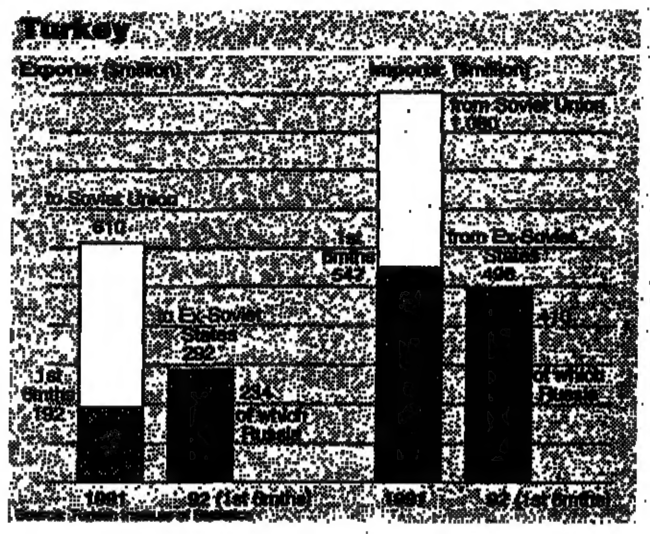
"Our objective is to reach within five years $10bn in annual trade with the Russians," says Ambassador Volkan Vural. That is an ambitious target, given that trade in the first six months of this year came to just $644m, and Turkey has frozen official credit lines until Russia catches up on its arrears.

But a Russo-Turkish trade fair which opened in Moscow last week summed up the potential of what an ideal trading relationship would look like. One end of the historic Manezh exhibition hall exhibited food and consumer goods which Russia so badly needs and which Turkey has been supplying at much lower cost than western companies. The other end featured Russian defence enterprises seeking buyers for weapons and investment to help them convert to civilian output.

Mr Vural said that Turkey was looking into buying weapons from Russia and developing its own defence manufacturing capacity after decades of being supplied by its allies in the North Atlantic Treaty Organisation. The two sides are said to be negotiating a $200m package to supply Turkey with helicopters, armoured personnel carriers, and other conventional weapons.

Projects designed to make Turkey an international channel for transferring oil and gas from the former Soviet Union to the rest of the world are also on the drawing board.

They include talk about Turkey helping to develop the Russian port of Novorossisk on the Black Sea following Moscow's loss of free access to Odessa, which is now part of an independent Ukrainian state.



Although its credits were frozen after the Soviet Union's collapse, Eximbank, Turkey's official export credit institution, has earmarked 85 per cent of all its lending to the Commonwealth of Independent States, with most destined for Russia.

Not a penny of a $1.15bn commitment has been allocated outside Russia and the largest central Asian republic of Uzbekistan. Despite a big Turkish political presence in this part of the former Soviet Union, credit for the other central Asians and Azerbaijan, a Turkic-speaking republic on the Caspian Sea, are still only being negotiated.

Russia is supposed to spend 70 per cent of revenues from sales of natural gas to Turkey to cover the import of Turkish goods and construction work. In 1991, the former Soviet Union sold 4.2bn cu metres of natural gas to Turkey, and deliveries this year are expected to reach 4.7bn cu metres. In May Mr Suleyman Demirel, the Turkish prime minister, agreed to increase gas imports to 6bn cu metres a year by 1995.

But even this original formula of helping Russia generate revenue to pay for its Turkish imports has broken down because Moscow, pleading more urgent spending priorities, is not keeping its side of the bargain. It has already run up $48m in arrears to Eximbank this year.

Mr Ahmet Ertugrul, Eximbank's chairman, said in Moscow last week he hoped what he called "this default situation" would be cleared up soon so that credits could resume. Eximbank had expected that repayments would begin immediately after Mr Demirel visited Moscow in May.

Turkey's politicians have made a brave choice of pressing ahead with political priorities and attempting to overcome what they hope will be short-term economic problems. Russia has yet to put itself in a position where it can fully benefit from such friendship.

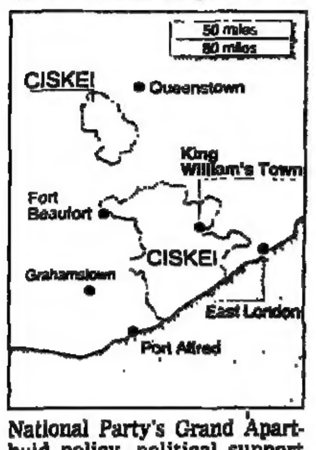
Apartheid's rural ghettoes that hold the key to power

Patti Waldmeir reports on the grassroots battlegrounds of South African politics in Ciskei and the other homelands

THE massacre of African National Congress supporters in the nominally independent black "homeland" of Ciskei yesterday was a catastrophe waiting to happen.

For while international attention has focused on the political struggle between South Africa's white rulers and the ANC, the battle for power in the country's 10 black homelands has become ever more violent.

Given that 17m of the country's 28m Africans live in these largely rural territories carved out of South Africa and intended to become independent countries as part of the



National Party's Grand Apartheid policy, political support there will be crucial to the ANC's success in any future election – but their conservative leaders, including Ciskei's, have made it clear they will not give up without a fight.

Yesterday, the ANC took the homeland battle to Ciskei, where Brigadier Oupa Gqozo has ruled by military diktat since taking power in a coup in March 1990. Some 50,000 protesters – one of the biggest ANC marches ever – converged on the Ciskei with the stated aim of overthrowing Brig Gqozo's government. Ciskei security forces opened fire, despite the apparently disciplined behaviour of the unarmed marchers, leaving many of them dead.

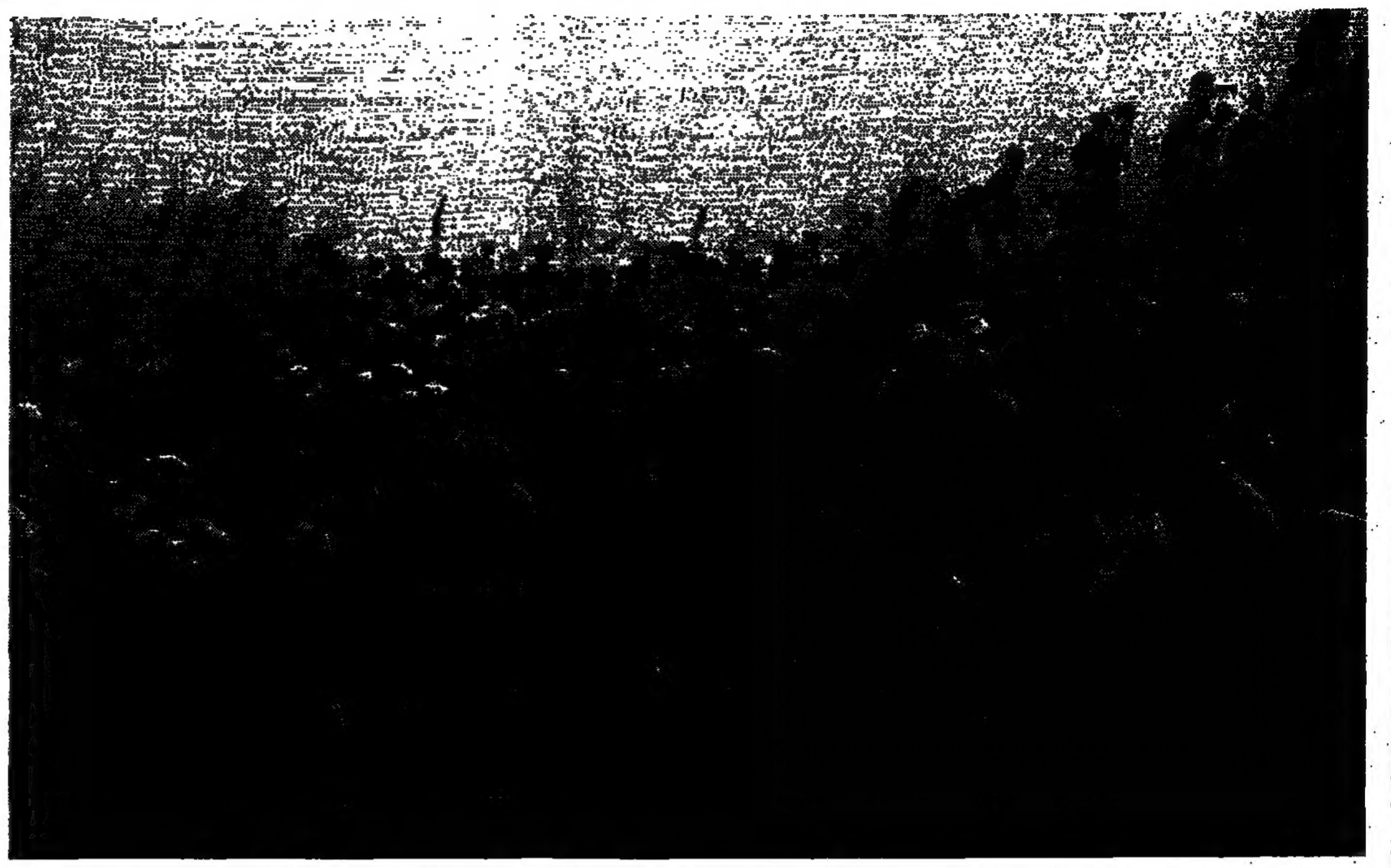
ANC officials defend their decision to stage such an obviously provocative march (largely with demonstrators from outside Ciskei) by pointing out that Brig Gqozo's government has prevented free political activity in Ciskei and made it impossible for the ANC to organise among its 850,000 residents.

But the march was part of a larger strategy: to weaken the conservative alliance being forged by President F W de Klerk, which would include not only the ruling National party, but conservative blacks who have built up local fiefdoms in several black homelands, with the financial and political support of Pretoria.

Indeed, as the Ciskei security forces opened fire, Mr de Klerk was hosting a conference of this fledgling alliance in Pretoria, called to form a united front behind the demand for a federal form of government which would allow homeland leaders to retain a measure of power in the new South Africa.

Mr Pik Botha, the foreign minister, last week claimed that such an alliance could win a multiracial election in South Africa: he said he believed 5m to 6m people – whites, coloureds, Indians and moderate blacks – would support such an alliance, out of an estimated turnout of perhaps 14m voters (70 per cent of the voting population of 20m).

While his claims are almost certainly exaggerated, even the ANC acknowledges that the



ANC supporters over-run a border fence yesterday shortly before sustained automatic gunfire by Ciskei security forces left many of them dead

National party, now open to all races, and its allies could garner significant support in a multiracial election. They chose to attack this unofficial alliance at what they see as its weakest link: Ciskei, led by an unelected dictator whose popular support appears weak.

ANC officials say their next target will be Mr Lucas Mangope, president of Bophuthatswana in the Transvaal, one of the few homelands with at least a potentially viable economy. He is likely to prove a much more difficult opponent.

And the ANC's most powerful opponent of all – Chief Mangosuthu Buthelezi of KwaZulu, head of the Zulu Inkatha Freedom Party, whose Natal stronghold includes the KwaZulu homeland – has proved amply over the past two years of bloodshed that he will not readily give up power.

But while the grassroots battle continues for political support in the homelands, the constitutional future of the homelands must in the end be settled by negotiation at the national level. Indeed, it is likely to prove one of the most difficult issues when multi-party talks eventually resume.

The ANC, for its part, would like to abolish the homelands altogether. It last week published constitutional proposals calling for the 10 homelands to be subsumed within South Africa during the transition to a new constitution, depriving homeland leaders of their political base at one fell swoop. The National party proposes a large measure of devolution to regional governments, which would be multiracial, but which would inevitably be based partly on the old homelands and would preserve a measure of power for homeland leaders through new regional administrations.

The march yesterday also marked another phase of the ANC's policy of mass action, aimed at putting pressure on Pretoria, not just over the homeland issue, but over security force violence which has so far blocked progress on a new constitution. In this sense, the Ciskei security forces played straight into the ANC's hands: they demonstrated, with appalling brutality, the ANC's claim that homeland security forces (which are often commanded by white South Africans and are indirectly funded by Pretoria) must be brought under multi-party control in the transition to democracy.

The ANC has made its point but at a terrible price. Mr John Hall, chairman of the National Peace Secretariat, the multi-party body set up a year ago to combat violence, voiced the sentiments of many when he said of the massacre: "It seemed so absolutely unnecessary. If this is a taste of things to come, then God help us all."

Tajikistan power upheaval as Nabiyev resigns

By Steve Levine and Reuter in Dushanbe

MR Rakhmon Nabiyev resigned yesterday as president of Tajikistan in the first power upheaval in the central Asian republics since the disintegration of the Soviet Union.

Looking strained and speaking in a shaking voice, he said in a televised statement that he was resigning to stabilise the political situation and halt "fratricide" between rival clans in the south of the republic. He was then shown signing a resignation statement. Diplomats and journalists said it appeared that he had resigned under duress.

A Reuter correspondent at Dushanbe airport saw him being driven away, escorted by troops of the Commonwealth of Independent States and the Tajik interior ministry. His whereabouts last night were not known.

Mr Nabiyev was taken away after holding several hours of talks at the airport with government and parliamentary leaders who declared no confidence in him last week and demanded that he quit.

Three tanks and seven armoured personnel carriers surrounded the airport to protect Mr Nabiyev after opposition members with guns and grenades seized part of the complex and several shots were fired. He had gone to the

Nabiyev: pressure to quit

airport to travel to the north for talks with local leaders.

The talks took place in a VIP lounge guarded by paratroopers and crack soldiers, while the tanks took up position in front of the terminal with their guns pointing directly at it.

Earlier yesterday Mr Nabiyev, communist leader from 1982 to 1985, who was elected president last November, had reappeared for the first time since armed opponents stormed the presidential palace a week ago to demand his resignation.

Mr Nabiyev's removal leaves four political groups vying for power, of which two are Islamic, well organised and apparently popular.

Yeltsin seeks 'imagination' over disputed islands

Moscow presses Japan over Kuriles

By Leyla Boulton in Moscow

PRESIDENT Boris Yeltsin's personal spokesman yesterday urged Japan to show "imagination" in order to solve the territorial dispute over the Kurile islands which will be at the centre of talks with the Russian leader in Tokyo next week.

"Japan is doing an imitation of flexibility. If they showed real flexibility we could find an effective compromise solution," Mr Vyacheslav Kostikov said in an interview yesterday.

He said that President Yeltsin, whose position would remain open until he heard Japanese leaders on the first day of the talks, could produce a breakthrough on the issue if Tokyo made it possible for him to do so.

"I think he will go on looking for a solution even while is he is on the plane (to Tokyo)... His position is like molten lava which can change shape. Japan needs to find a suitable channel for this lava but for the time being this has not happened."

A solution to the dispute over territory seized by the Soviet Union in the closing days of the second world war and which was never sealed by a peace treaty, would take into account both Russian feelings and the country's economic problems.

Japan says it is willing to be flexible on timing and details of how Russia returns the disputed southern-most four of the Kurile islands – but that large-scale economic assistance will be conditional on getting them back.

Mr Yeltsin has said he wants to solve the issue on the basis of legality and justice but faces fierce domestic opposition to an explicit handover of territory for money.

"We are willing to give something in return for such help but we don't see this help as the be all and end all," Mr Kostikov said.

While Japanese help was desirable for "resolving tactical problems" to speed Russia's march towards capitalism, Moscow would be less prone to make compromises in future.

"The Japanese do not understand this. They talk to us like a chronically sick child. But we are not chronically sick. We are just ill with communism. When Russia gets better it will surprise the world with its dynamism."

Russia hopes for an early agreement on arms sales to India, which have slumped after months of argument about deliveries and pricing, Itar-Tass news agency said yesterday, Reuter reports from Moscow.

Tass quoted Mr Pavel Gravchev, the Russian defence minister, saying he and Mr Sharad Pawar, his Indian counterpart, hoped to restore military links between their countries.

Mr Gravchev hoped agreement would be reached before President Boris Yeltsin of Russia visits India in January.

Russia, India's main arms supplier, has faced economic turmoil since the Soviet Union collapsed. Indian officials say exports to India have fallen short of agreed figures.

Kazakhstan calms Israeli N-weapon fears

By Hugh Carnegy in Jerusalem

MR SERGEI TERESCHENKO, prime minister of Kazakhstan, said during a visit to Israel yesterday his country had no intention of selling any of the nuclear arsenal it inherited after the collapse of the Soviet Union.

Israeli leaders were understood to have voiced their concern to Mr Tereschenko that none of the central Asian republic's nuclear expertise or weaponry, which includes multi-warhead SS-18 ground-to-ground missiles and nuclear bombers, should fall into the hands of Iran or Arab states hostile to Israel.

Kazakhstan has entered an agreement, along with Ukraine and Belarus, to return its nuclear arsenal to Russia by the end of 1994. Mr Tereschenko said fears that economic difficulties might tempt Kazakhstan to sell some of its arsenal "to Iran or any other country" were unfounded.

The prime minister's three-day visit is the highest-level exchange so far in a growing effort by the Jewish state to develop trade and diplomatic links with the former Soviet Moslem republics. Israel is anxious to blunt the influence of Iran and Arab countries over the newly independent regimes, as well as lay the groundwork for what it hopes will be lucrative long-term trade ties.

It has made considerable progress with Kazakhstan, run by secular former communists. Mr Tereschenko, who was due to sign several agreements covering trade, technology and cultural exchanges during his visit, held talks with Mr Yitzhak Rabin, the Israeli premier, and Mr Shimon Peres, the foreign minister. They decided to set up a committee to study joint economic projects.

Two Israeli private-sector companies, Merhav and Mr Shaul Eisenberg's Israel Corporation, have together already established contracts in Kazakhstan, mainly in upgrading agriculture, worth about $65m (£33m) a year, officials estimated. A joint US-Israeli team is now in Kazakhstan studying possible agricultural aid schemes.

Thai election campaign promises more of the same

Democratic idealists find little support against patronage politics in the provinces, writes **Victor Mallet**

THE 30-year-old Thai peasant woman sitting on the concrete floor of her house in the village of Nong Nok Kwak is the kind of voter who brings pro-democracy activists in the faraway capital, Bangkok, to the brink of despair.

At the last general election in March, Somjai gave her vote to a local politician in exchange for 20 baht in cash (less than a dollar) and a special 3,000-baht meal for the local schoolchildren financed by the candidate.

On Sunday there is another general election and she is ready to sell her vote again. She does not have much choice.

It has all been arranged at a meeting between the candidate and the village headman, and the headman will be at the polling booth to ensure that she puts her mark in the right place.

Somjai has never seen her candidate but she knows a bit about politics from the black and white television in her living room, and she knows that there was a fight between soldiers and protesters on the streets of Bangkok in May in which people were killed.

She knows that the soldiers are good people, because when the dry season comes in April or May, the troops will bring water to the village in tankers on the orders of the King. She has no piped water in or near her house.

She knows that the leader of the Bangkok demonstrators, Mr Chamlong Srimuang, is a bad man, because she heard from the television news that he led people to their deaths. What she does not know is that the television stations she watches are controlled by the army.

Asked what she would like from her member of parliament, Somjai – not her real name – responds immediately: new and improved crop varieties to increase her harvests of rice and cassava, and running water.

Somjai's views are typical of Thailand's rural north-east, a region known as Isarn. The soil is often stricken with drought and salinity. The inhabitants are poor, and many migrate to Bangkok to find work. Those who stay are likely to end up owing money to the state agricultural bank or to local middlemen; some have forfeited their land. National politics and the struggle for democracy are not a priority.

Forgotten for much of the time by the increasingly wealthy inhabitants of Bangkok, Isarn suddenly springs to prominence during election campaigns.

The region is heavily populated, and the voters in its 17 provinces elect 128 MPs, more than a third of the total. Isarn MPs are a vital source of support for any party leader who fancies himself as a national figure.

It was not surprising, therefore, that Mr Chavalit Yongchaiyudh, a former army commander who heads the New Aspiration Party, was greeted by Mr Sia Leng, an influential ethnic Chinese "godfather," when he arrived at Khon Kaen airport to campaign in the north east the other day.

"I am a merchant," said Mr Sia Leng, a deceptively insignificant-looking businessman with an Adidas jacket and a passion for gambling. "I have many subordinates to support Chavalit." Mr Chavalit said he wanted to fight poverty and do his job for the people. Asked what the job was, he replied: "To make them happy."

Such is Thai politics. The powerful local warlords and businessmen – laughingly labelled as "traditional politicians" by the Thai liberal press – know how to woo the Isarn electorate, and they are wooed in turn by the various parties.

First the candidates seek to strike a deal with the local middlemen and village headmen to bring in bloc votes.

Second, they promise to help farmers, by building a bridge or bringing water to a village, a tactic which is particularly effective if they have inside knowledge that the central government is already planning to build the bridge or bring the water anyway.

Third, they buy votes, and if this becomes too obvious they distribute "travel allowances" to supposed party workers or pay villagers to "look after campaign posters" stuck on the walls of their homes.

Successful candidates will hope to participate in a coalition government and use their influence to divert funds to their constituency – and perhaps to their own pockets.

Ranged against these unscrupulous practitioners of old-fashioned patronage politics are Thailand's democratic idealists. Increasing in numbers, mainly urban, educated and middle class, they have been galvanised into action by their victory in May over the armed forces and traditional politicians who supported the military.

After troops shot dead at least 50 pro-democracy demonstrators, Gen Suchinda Kraprayoon, former coup leader and army commander, was forced to resign, and the coalition government of traditional politicians was dissolved, paving the way for Sunday's elections.

A typical young liberal is likely to support the Democrat Party or Mr Chamlong's Palang Dharma, and might want to help Pollwatch, the independent organisation charged with monitoring the election and educating people in the democratic ways.

There are signs that the liberal parties, already powerful in Bangkok, are beginning to increase their strength in provincial towns and may even win enough seats in the election to lead a coalition. But the transformation of village politics in the north-east is expected to be slow.

A Thai aid worker in the area around Somjai's home described a recent attempt to show an anti-military video of the May shootings in another village.

"The headman said 'Stop! or I will shoot the TV'," the aid worker said.

Somjai may be selling her vote in a few more elections yet.

Thai Airways battle: see International Company News

NEWS IN BRIEF

UN nuclear team flies out of Iraq

A United Nations nuclear inspection team left Iraq yesterday without laying to rest the ghost of a secret underground plant but having agreed a plan to keep an eye on whether Baghdad is reviving its nuclear programme, Reuter reports from Baghdad.

Mr Maurizio Zifferero, head of the 14th mission charged with destroying Iraq's nuclear weapons capability, said Iraq's rivers, lakes and canals would be monitored for radioactivity levels, making possible the detection of any resumption of nuclear activities.

Mr Zifferero told reporters that Baghdad had to do more to satisfy the Security Council that it was complying with the terms of the Gulf war ceasefire.

But Mr Zifferero, whose visit followed a period of strained relations between Iraq and the UN, praised the co-operation he received, and said he had laid the groundwork for long-term monitoring.

Mr Zifferero, whose 15-member team spent a week travelling round Iraq, said the question would remain unanswered if more detailed information were not forthcoming.

Mr Zifferero is a deputy head of the Vienna-based International Atomic Energy Agency (IAEA), which is conducting the nuclear inspectors for the Security Council.

The Security Council ceasefire resolution called for the elimination of all Iraq's weapons of mass destruction.

● President Saddam Hussein's eldest son Uday was yesterday quoted as saying it was time democratic reforms were introduced in Iraq to thwart western attempts to dismember the country.

Three hanged in Kabul

Afghanistan's government hanged three men yesterday in front of a crowd of thousands in its most dramatic implementation of Islamic law since it came to power in April, Reuter reports from Kabul.

Mr Yunis Qanuny, the defence ministry spokesman, said the men – Sayed Sakander, Mohammed Gul and Mohammed Rafit – had confessed to murder, looting and robbery before a special court to which there was no public access. Their deaths were a necessary example to others as the four-month-old mujahideen government tried to restore order in the capital after weeks of bloody factional fighting, he said.

US tries to explain to China

Mr William Clark, the US assistant secretary of state, arrived in Beijing yesterday, beginning a one-day mission to try to explain to China's leaders why Washington has decided to sell F-16 jets to Taiwan, Reuter reports.

A US Embassy spokesman said Mr Clark had arrived on a military aircraft from Tokyo, where he had been waiting since last Friday for Beijing to approve his visit.

Hizbollah emerges as top party

The pro-Iranian Hizbollah (Party of God) is likely to control the biggest single bloc in the Lebanese parliament after scoring sweeping victories in the country's first election in 20 years, Reuter reports from Beirut.

Hizbollah and its pro-Syrian allies were well ahead of their political opponents in early results yesterday following Sunday's third and final round of voting in an election boycotted by most mainstream Christians.

Diplomats said the once politically-dominant Christians had thrown away much of their power by boycotting the election in protest at the presence of Syrian troops in Beirut.

Stronger Iran-Pakistan links

President Ali Akbar Hashemi Rafsanjani of Iran yesterday called for closer co-operation with Pakistan, as a way to resist "domineering arrogant powers," Farhan Bokhari reports from Islamabad.

In an address to members of Pakistan's parliament on the second day of his state visit here, he said, external countries did not want Pakistan and Iran to become more independent and powerful. Mr Rafsanjani said both countries must further build upon the existing historical relations and Islamic ties.

Sudan relief airlift halted

Rebels gunner have forced the United Nations to halt a relief airlift to the besieged south Sudan city of Juba, where some 300,000 people are short of food, Reuter reports from Kampala.

It was the third time in two weeks the flights have been halted by rebel fire. A World Food Programme official, Mr Ben Matthason, said they would not resume until both sides in the eight-year civil war guaranteed their safety.

UK consumer credit rises unexpectedly

By Peter Norman and John Thornhill

BRITISH consumers unexpectedly increased their buying on credit in July, adding strength to anecdotal evidence that a slight recovery may be under way in retailing.

The Central Statistical Office reported yesterday that lending to consumers by finance houses and other specialist credit companies, building societies and on bank credit cards under the Visa and Mastercard systems increased by a net seasonally adjusted £78m in July. This compared with City expectations of a £50m net repayment of consumer credit in July and a repayment in June of £55m.

The amount of new credit advanced in July was £4.25bn, up from £4.16bn in June and the highest figure since £4.29bn in July last year.

Several retailers have reported a slight easing of trading conditions in recent weeks but few are confident enough to declare a sustained improvement.

Mr Derek Hunt, chairman of the MFI furniture chain, said yesterday: "Over the past 18 months there have been many ebbs and flows in demand. Although we are up a bit at the moment there is no evidence on the table that anything will really improve this side of Christmas."

The upturn in consumer borrowing was welcomed by the Treasury and City, although analysts said it could have been helped by special factors.

There was a modest rush to complete house purchases in July before the expiry of the suspension in August of stamp duty on housing transactions. This probably triggered increased buying of household items and furniture on hire purchase.

Consumers may also have arranged credit agreements to finance new car purchases after the August 1 introduction of the "K" registration numbers. Also, recent wet weather seems to have brought forward purchases of autumn and winter clothes.

Net lending by finance houses and other credit companies increased by £58m in July after four months of net repayments. There was also an increase of £29m in net lending on Visa and Mastercard credit cards against a £2m repayment the month before.

The Treasury said the return to net lending in July after June's net repayment was a "positive" sign.

Mr George Hodgson, market strategist of S.G. Warburg Securities said yesterday's figures were good news, but merited "one and a half rather than three cheers".

Lex, Page 24

Back at the crease: Gatting will bat for England against India

Britain in brief

Shock greets cricket team selection

England's cricket selectors shocked the normally placid world of the national summer game by dropping batsman David Gower and wicket-keeper Jack Russell from the winter-tour squad for India and Sri Lanka.

Gower was axed despite averaging 50 during his three-Test comeback against Pakistan this season. Russell, widely regarded as the world's best wicket-keeper, was also dropped. Players who joined the unoffical tour of South Africa in 1989 have been reinstated. Three 'rebels', John Emburey and Paul Jarvis and the former England captain Mike Gatting (pictured left), have been selected.

Levis seized

A possible cross-Europe racket in fake brand name jeans has been uncovered with the seizure of more than 1,000 pairs of jeans marked as Levi 501s in London and 300 pairs in the Netherlands. The seizure followed a joint operation between the central detective agency of the Dutch economic investigation service and the trading standards office of Haringey council.

Further fall in construction

The number of new private homes started by builders fell by almost 6 per cent during the first seven months of this year compared with the corresponding period last year, according to governemnt figures.

If this trend were to continue for the rest of this year the number of homes started by private builders would be the lowest annual total for more than a decade.

Soccer talks end in confusion

Seven members of the new premier league, the top English football division, walked out of a meeting of the clubs yesterday after a £13m sponsorship deal with Bass, the brewer, had been blocked.

Eight of the league's 22 clubs had voted against accepting the deal because they felt it might conflict with their own sponsorships by brewers. The meeting ended in confusion.

The seven clubs argued that the action by the eight was against the interests of the Premier League as a whole.

Reprieve for London Zoo

Troubled London Zoo said it was shelving its plan to close at the end of this month. A spokesman said the zoo was set to break even on running costs in the current financial year, allowing the Council of the Zoological Society of London to lift its decision to close.

Study criticises youth training

Training and Enterprise Councils (Tecs), which administer government-funded training programmes in England and Wales, are compromised by the lack of a national skills strategy, according to an first study of the Tecs. The study, carried out by the Centre for Local Economic Strategy, argues that Tecs do not need more money or management changes.

Toyota scheme

Toyota, the Japanese motor manufacturer, is to spend at least £130,000 this year on a pilot scheme for linking schools with local companies. Schools will be eligible for grants of up to £1,000.

Plastic plant for Cornwall

A new plastics plant is to be set up by US-based Contico International in Redruth, Cornwall, creating more than 100 jobs. It aims to start production early next year of containers and tool boxes for UK and European markets.

North east river diverted

The River Tees between Stockton and Middlesbrough has been diverted as part of the construction work on the £47m Tees barrage.

An earthbank "plug" edging the river was removed by excavator, allowing the water to gush into a newly built 400-metre navigation channel through which it will flow until the barrage is completed in two years. Next week an upstream "plug" will be removed too, completing the temporary diversion of the river.

Museum gets coal equipment

Steam-driven pumps and other equipment salvaged from one of British Coal's closed collieries are to be donated to the North of England Open Air Museum in County Durham.

Pit-by-pit coal option in doubt

By Alison Smith

PRIVATISATION of British Coal, the state-owned mining corporation, on a pit-by-pit basis is emerging as the least-favoured option in the British government's plans to sell the industry.

Ministers have doubts about the viability of individual pits taking on contracts which they might well be unable to meet if the mine unexpectedly hit a geological fault making extraction inefficient.

There is also some concern that if National Power and PowerGen, the two electricity generators, were able to negotiate with a large number of very small individual companies, they would have an unfair advantage in deciding contracts.

While the present board of British Coal would like the industry privatised intact, there are pressures on the government to privatise the company as regional units, providing greater flexibility than if the industry were left as a single entity, even in the private sector.

Another factor is that a suitable, sufficiently large buyer for the corporation as a whole might be hard to find.

Ministers emphasise that no final decisions have been taken about the form of returning the industry to private ownership.

Indeed these decisions could not be taken until there has been agreement on the contracts between British Coal and the electricity generators which will come into effect next April.

Rover cuts prices on most cars

By Kevin Done, Motor Industry Correspondent

ROVER, the UK motor manufacturer, is cutting the list prices of most of its cars by up to 7 per cent with immediate effect in order to introduce greater "transparency" into its new car pricing.

The list price reductions will not necessarily cut the actual transaction price of a new Rover car purchase, however, as Rover is simultaneously cutting dealer profit margins from 17 to 10 per cent, which will reduce dealers' present scope for discounting.

The Rover initiative follows initial steps taken by Vauxhall, the subsidiary of General Motors, late last year to cut dealer profit margins from 17 to 10 per cent on three of its new model ranges, the Astra, Frontera and Carlton.

At the time Vauxhall said that the industry and car buyers alike would benefit if other manufacturers adopted a similar approach.

New car list prices in the UK have been far out of line with actual transaction prices for some time, but the confusion has been exacerbated during the recession with most car makers launching a series of discounting and price-cutting campaigns, often in order to sell old stock.

Rover attacked car makers such as Ford and Vauxhall for confusing customers "by offering limited discounts and other short-term incentives on some stock, while at the same time recently increasing list prices."

£62m insolvency income for DTI

By Andrew Jack

THE government generated £62m in interest income and fees last year from the assets of insolvent companies and individuals, the annual report of the Insolvency Service showed yesterday.

The unaudited figures are contained in the accounts for the year to March 31 from the Insolvency Service, an executive agency of the Department of Trade and Industry under the government's Next Steps initiative.

Net income from interest on the proceeds of assets held in the Insolvency Services Investment Account totalling £27m was retained by the agency in 1991-92. This compared with £26m last year.

The agency paid the DTI fee income of £20m generated from accounts held on behalf of insolvency practitioners and £16m from charges levied by the official receivers. That compares with £16m and £8m respectively in the previous year.

Receipts into the official insolvency service account – in which all realisations of assets from bankruptcies and liquidations must be held under UK law – were £397m in 1991-92, compared with £329m in 1990-91.

The agency's running costs rose by 15 per cent to £56.9m last year, including a 14 per cent increase in staff costs to £30.8m.

It increased staffing to 1,696 by the end of the period, compared with 1,550 12 months earlier to cope with an anticipated increase in workload.

● There is little prospect of UK economic recovery before spring next year, according to new figures on business failures released yesterday by Trade Indemnity, the trade credit insurer.

The number of companies becoming insolvent in the second quarter of 1992 fell by 8 per cent from 2,074 to 1,911 in the first three months of the year. They stood at 1,969 in the second quarter last year. But Mr Clive Brand, senior economist with Trade Indemnity, warned that the decline was minimal and had been predicted by the company since July last year.

Travel firm falls victim to downturn

By Michael Skapinker, Leisure Industries Correspondent

THE DOWNTURN in the UK travel business claimed another victim yesterday with the collapse of Med International, a Yorkshire-based coach company – the 43rd member of the Association of British Travel Agents (Abta) to fail this year.

Abta said, however, the rate of company failures represented an improvement over 1991. By this time last year, 78 members had collapsed.

Med International, based in Selby, had 300 travellers on holiday. Its sister company, Impact Holidays collapsed last Friday with 3,000 customers still on holiday. As both companies had bonds arranged through Abta, none of the customers will lose their money.

Those overseas will be able to complete their holidays – ferry companies and hoteliers will be paid from the bonds.

The collapses come a few days after the Civil Aviation Authority announced DHG (UK), a bonded tour operator, had ceased trading.

This year's Abta figures do not include Land Travel, the coach company which went out of business in July. As the company was not bonded, more than 40,000 customers who had booked holidays have been told they have no possibility of getting money back.

Throughout the summer, travel industry executives have warned that a relatively large company might go out of business as a result of the excessive number of holidays being offered for sale and fierce price-cutting.

Although the number of companies that have ceased trading this year is lower than in 1991, the autumn represents a dangerous period for over-extended travel firms. Bills from hoteliers and other suppliers fall due during this period, while the money companies receive in deposits and advance payments falls as the holiday season draws to a close.

TRADES UNION CONGRESS

Union leaders agree to radical shake-up

By Michael Smith, Labour Correspondent

THE TUC this week hopes to signal that it is ready to embrace the European idea of consensus and social partnership with industry. Aware that unions have been increasingly marginalised in Britain, the TUC is seriously seeking a new relationship with employers and is today set to welcome Mr Howard Davis, the first head of the Confederation of British Industry to address the congress in 124 years.

THE Trades Union Congress (TUC) yesterday agreed a radical shake-up in its organisation following the Tory government's fourth successive election victory and proposals for a new employment legislation.

Delegates to the TUC's annual congress in Blackpool agreed to replace 17 priority tasks with just six. They include a campaign for full employment, lobbying against planned trade union legisaltion, Europe and a campaign for full employment .

The reforms, which follow a 20 per cent cut in the TUC's staff earlier this year, are likely to lead to changes in internal working and the way the general council, the orgainsation's executive, operates.

A fundamental review will be launched following yesterday's decision.

Some union leaders yesterday indicated that they believe further changes are overdue.

Mr Bill Jordan, president of the Amalgamated Engineering and Electrical Union, said Congress House – the TUC's headquarters – had become an overburdened packhorse for social change.

Mr Alan Johnson, general secretary elect of the UCW postal workers' union, said the TUC had to attack declining membership and its abysmal public profile, Mr Johnson said. It could provide a focal point for attracting membership, particularly for those people working in small organisations.

There were millions of British workers who would join unions if given a conveninet opportunity, he added.

Mr Bill Morris, general secretary of the TGWU general workers' union, said the TUC had to change because in April 1992 the political climate had not changed.

The TUC should concentrate on servicing affiliates, co-ordinating activities, building strong European links and maintaing good relations between affiliates, he told the conference delegates.

In a passage interpreted as backing for Mr Norman Willis, the TUC general secretary, Mr Morris paid tribute to the staff at Congress House and said the TUC's shortcomings were not their fault.

The six priority areas agreed in yesterday's motion are: a campaign for full employment, Europe, lobbying ont he forthcoming employment bill, promoting an employees' charter, developing trade union services and "planning the inter-union future."

Emilio Gabaglio at the Blackpool launch of Network Europe

TUC advocates union network within Europe

By David Goodhart, Labour Editor

The TUC is to open an office in Brussels. Mr Bill Jordan, leader of the AEEU craft union, said yesterday that unions now did so much business with each other and with the European Commission in Brussels that it would be cost effective to open an office there.

Mr Jordan, alongside Mr Emilio Gabaglio, general secretary of the European TUC, was launching a TUC "Network Europe" to improve union contacts within the EC. He said he was proposing a common European union card for members of engineering and metalworking unions.

However, the problem of fostering co-operation across borders between unions with different bargaining cultures continues to prevent the establishment of a European works council at Ford.

Even if the unions do reach agreement at Ford, and elsewhere, many European employers remain reluctant to recognise them at all.

According to the European TUC there are currently 21 European works councils recognised by employers. So far there are no UK-based companies on the list but the GMB general union, in co-operation with other unions, is planning a campaign to establish works councils in UK multinationals like Pilkington.

The TUC will today vote in favour of ratifying the Maastricht Treaty without a referendum. If it is ratified many multinationals operating in Europe may eventually have to accept statutory works councils. Plants in the UK will not be affected as long as the UK retains its "opt-out" from the social chapter of the treaty.

Mr Gabaglio said that the social dimension in the EC must operate through a combination of legislation and collective bargaining. "Cross border bargaining is a major objective for the future," he said.

Lloyd's seeks larger stake in French property sector

By Richard Lapper

LLOYD'S of London hopes to increase its share of the French commercial property insurance market following an agreement to make greater use of a computerised direct trading facility linking it with the Paris bourse, the French commercial insurance exchange.

Cater Allen syndicate 190 developed the computer link-up, known as "Linkline", in order to increase the efficiency of its French underwriting operations, in 1990.

The syndicate currently heads up a facility backed by 15 other syndicates which is expecting turnover of Fr30m this year.

Yesterday's agreement entails other syndicates making more use of the facility, which has reduced the time it takes to underwrite French risks from over two weeks in exceptional cases to less than 24 hours.

It is expected that 25 syndicates, including 190, are to participate on the new facility, known as the BCR lineslip, which can accept a further Fr50m in premium income.

Overall Lloyd's premium income from the French market amounted to some £200m last year, of which £119m was in the form of reinsurance premiums.

According to Mr John Worsfold, underwriter of syndicate 190, new opportunities were emerging, however, as a result of recent heavy losses. However he warned that the market for French commercial risks remains highly competitive and largely dominated by domestic French insurers.

Insulation dust linked to office sickness

DUST from insulation used in most air-conditioned offices has been linked to sick-building syndrome, the flu-like illness which afflicts thousands of office staff, while they are at work.

Scientists based in the US say their research is the first to detect a significant link between a single physical factor and the problems encountered by office workers.

A synthetic mineral fibre used in commercial insulation materials has been identified as a possible cause of the syndrome, which the World Health Organisation estimates affects a third of offices in Europe and North America.

If the scientists confirm the link between the fibre and the illness, the discovery could help offices improve their working environments and cut down on absenteeism among staff. Such absenteeism costs the UK economy between £350m and £650m last year, according to the House of Commons environment committee.

Dr Alan Hedge, who led the study of nine large private sector buildings at the design and environmental analysis department of Cornell University, said: "It is now clear that there is a link between mineral fibres in ceiling tiles and ventilation ducts common to air conditioned buildings."

Construction analysts say products which use man-made mineral fibres account for between 65 and 70 per cent of the insulation market in Europe and that the figure is likely to be higher in North America.

Occupational health specialist Prof Charles Rossiter, however, said further research was needed.

"I have serious reservations about the conclusions in the paper based on the information in the working draft," said Prof Rossiter of London University.

All non-domestic insulation products which use man-made mineral fibres would contain a proportion of superfine man-made mineral fibres, he added. The proportions could vary from as much as 40 or 50 per cent to less than 1 per cent.

Several large manufacturers of insulation for non-domestic use denied their products use man-made mineral fibres and questioned the scientific basis of the study.

Dr Hedge, meanwhile, said man-made mineral fibres were unlikely to be the sole cause of the symptoms of the syndrome, which include eye, nose, throat and skin irritation, as well as coughing, sneezing and breathing difficulties.

Dr Leslie Hawkins, director of the occupational health service at Surrey University's Robens Institute said the study may have identified an important factor but stressed that identifying a single cause or cure for the syndrome was unlikely.

Man-made mineral fibres are produced by spinning molten rock or glass into fine fibres which are then woven into thick insulating 'blankets'. These are used to line ceiling tiles and ventilation ducts.

Dr Hedge says: "Only when the fibres are mechanically disturbed is there a danger of fibres being released into the air. As the building starts to age, and work is done on the building the problem begins.

"Also the material gets dirty and you get fungi growing on the material and that makes the problem worse." Loose fibres can get into the ventilation system and cause discomfort to office workers.

Dr Hedge said the identification of insulation fibres as strongly linked to sick-building syndrome fitted the history of the syndrome which first became a problem in the 1970s.

He points to changes to the design of air-conditioning which allowed minerals into ventilation systems and the introduction of computer terminals.

Computer operators report sick-building syndrome more often than other groups of workers. This is probably because the terminals attract dust.

The Health and Safety Executive has issued guidance on the effects of exposure to man-made mineral fibres, giving maximum permitted legal levels.

Catherine Milton

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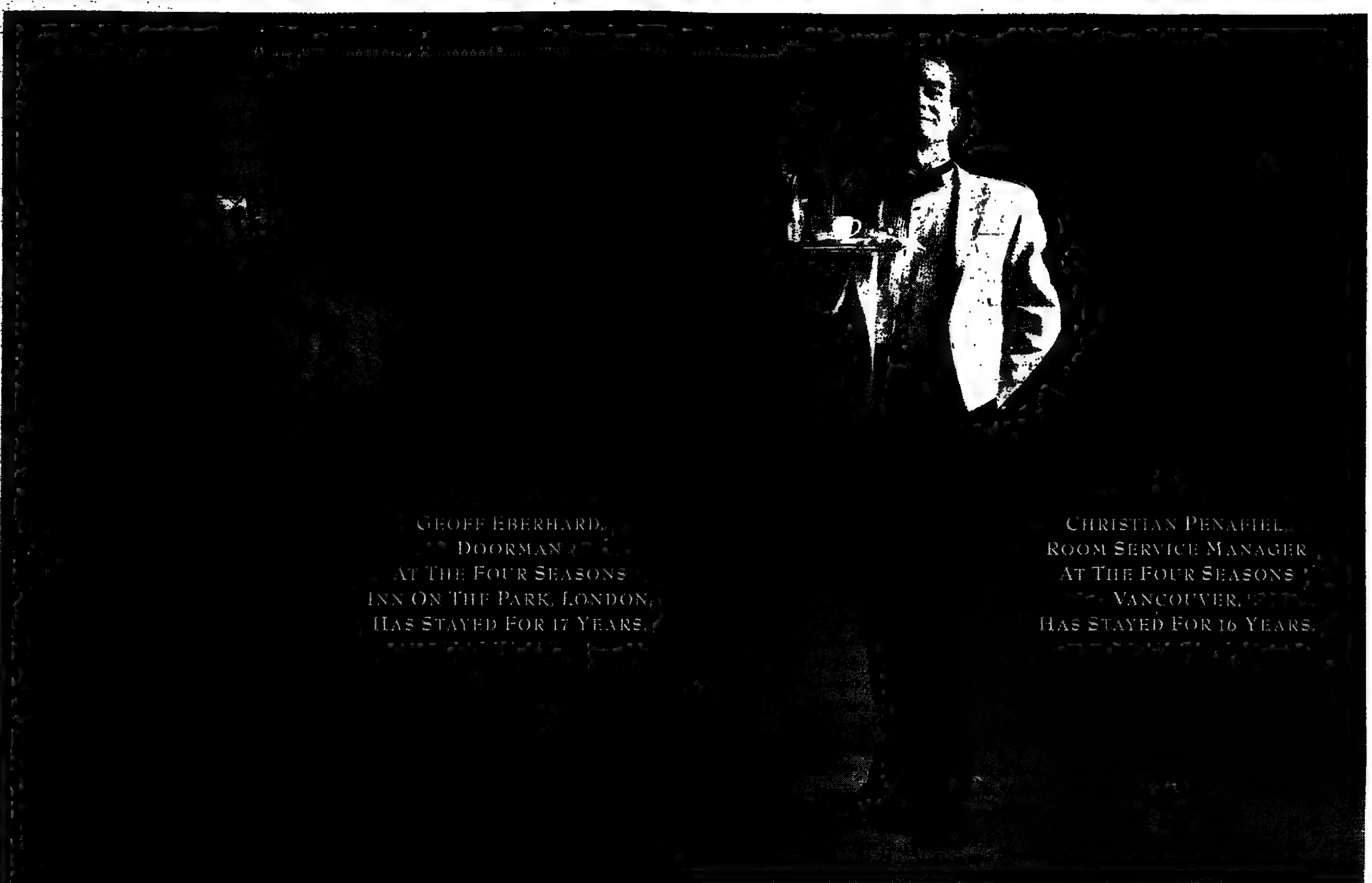

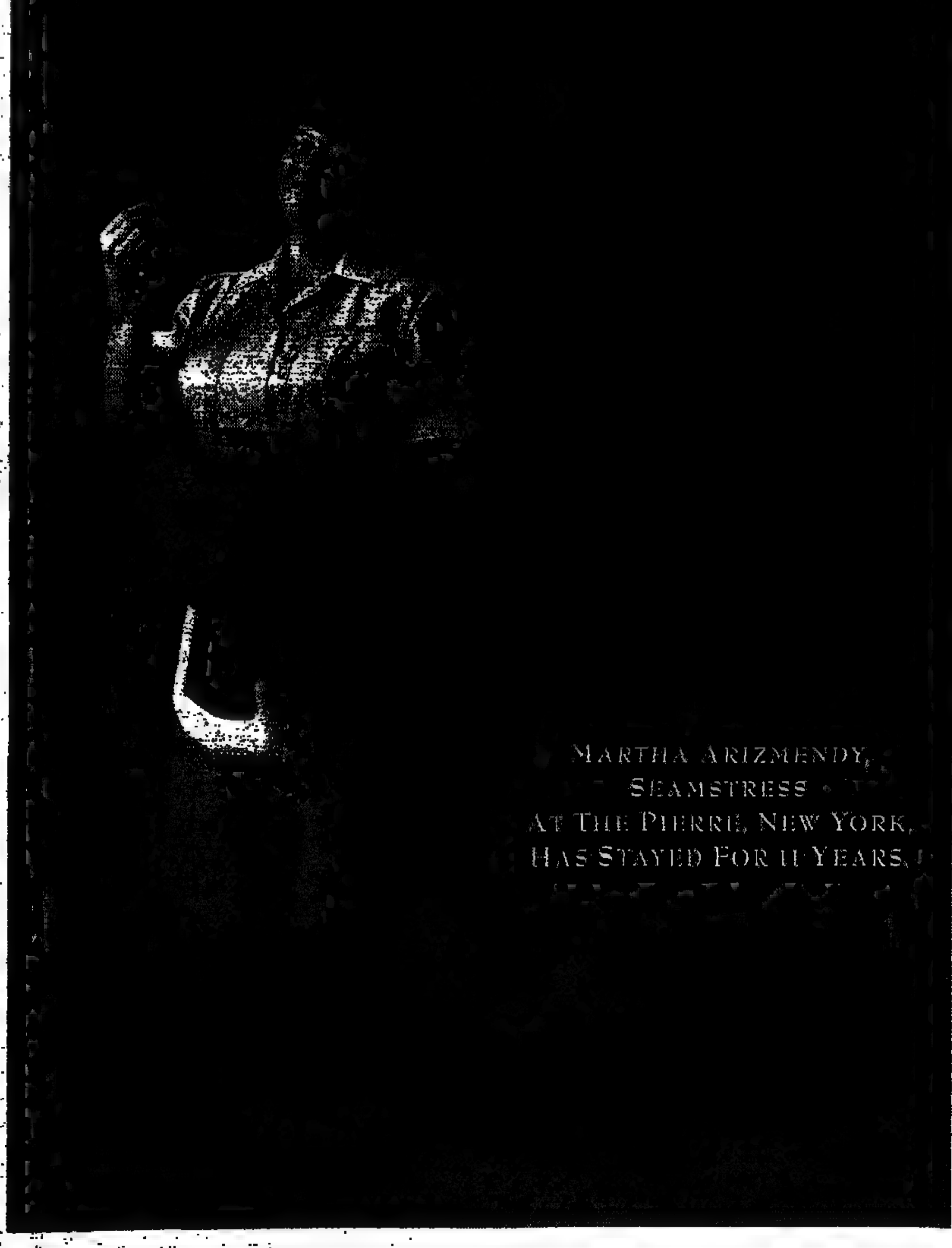

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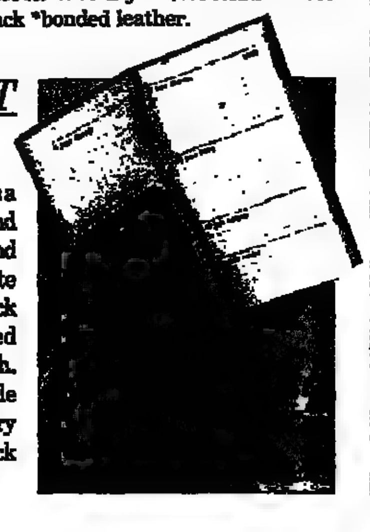

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(If the billing address differs from the above, please notify us).

Expiry Date:

(Please complete as your order may be returned if expiry date is not shown).

Despatch No.

Date Received

Cardholder's Name (Block Capitals):

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For further information on business gift orders, please ring 071-799 2002.

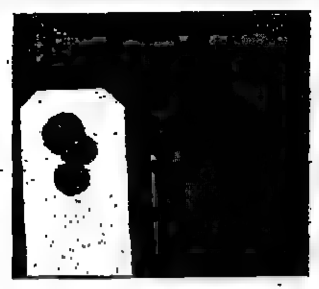
FT Business Enterprises Ltd., Registered Office, Number One Southwark Bridge, London SE1 9HL. Registered No. 980896.

THE FT PINK POCKET DIARY

The **FT Pink Pocket Diary** with its unique week to view landscape format has the same information as the FT Pocket Diary and is hugely popular. It has FT-pink pages and is covered in black *bonded leather.

This year it comes with a detachable Personal Telephone Directory which tucks inside the back cover of the diary.

THE FT WALLET DIARY



The **FT Wallet Diary** features the FT Pocket Diary bound into a black leather wallet with gilt corners. Its discreet good looks are further enchanced by a black moiré silk lining and a handy notepad. There's more than adequate space for receipts and bank notes of all denominations.

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The **FT Slimline Pocket Diary** slips easily into your pocket. It has a fortnight to view format and is bound in black *bonded leather with FT-pink paper and matching ribbon. The overseas and UK information guides, London Underground, city and west end maps, make it ideal for the executive on the move.

THE FT PERSONAL ORGANISER

Beautifully produced with a black leather cover, the **FT Personal Organiser** has 25 mm gilt rings and ample pocket space for papers, bank notes, and credit and business cards. There are FT-pink card dividers which indicate the five fully comprehensive paper sections, including a fortnight to view Diary, Notes, Expenses, Addresses and Information (maps, UK and overseas business centres guides and other useful facts.) Refill packs are available.

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What we've shown here is but a small sample of the wide range in the FT Collection, so why not send for the FT Collection colour catalogue and see for yourself? It is packed with many invaluable business essentials from diaries to document cases. Contact us now on 071-799 2002, or write to FT Collection, FT Business Information, 50-64 Broadway, London SW1H 0DB., or send your business card.

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FT Business Enterprises Ltd., Registered Office, Number One Southwark Bridge, London SE1 9HL. Registered No. 980896.

MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

Library directory is just the ticket

A comprehensive guide to the business information available in public and academic libraries is to be published by the Business Information Network (BIN), an association of libraries and other information providers.

The Directory of Members, to be launched later this month, will include information on the availability of statistics, trade journals and on-line services. The network, set up last year, now has 60 members in the UK as well as contacts with libraries in Denmark and Czechoslovakia.

The directory costs £150 including four quarterly updates.

Contact BIN, 25 Southampton Buildings, London WC2A 1AW.

Piece of the action in the Italian job

Four hundred small and medium-sized Italian companies will be looking for links with businesses in other parts of the European Community at Europartenariat Mezzogiorno, in the southern Italian city of Bari on December 3 and 4.

Non-Italian companies will be able to book private meetings with local companies seeking links including distribution agreements and technology transfer deals.

Introductory seminars will be held around the UK later this month and in October. The event is organised by the European Commission.

Contact Business Briefing Consultants. Tel 0444 416578.

Looking to Europe for growth

The UK is to host a small firms conference as part of its presidency of the European Community. The conference, Gateways to Growth, will be held at the International Convention Centre, Birmingham on October 29 and 30.

Participants will include small business owners, organisations which support and advise them and government officials from EC member states.

Contact Small Firms Division, DTI. Tel 0742 593770.

Solicitors are trying to make themselves more accessible to entrepreneurs. **Charles Batchelor** reports

Legal advisers go on trial

The need for an audit ensures that most business owners are familiar with accountants. But with no regulatory requirement to employ a solicitor, businessmen and women frequently regard the legal profession with distrust and incomprehension.

Only 14 per cent of small businesses make regular use of a lawyer, according to a survey by the Small Business Research Trust. A further 78 per cent made occasional use of solicitors but most small business owners remained extremely cautious in their dealings with the law.

"People don't want to consult a solicitor because they are worried about the cost, the time it will take and a fear that they won't get a clear answer," says Hugh Elder, litigation partner at London solicitors Gordon Dadds.

The legal profession has responded with schemes intended to make the law more accessible to the small business owner. The Law Society runs a Lawyers for Enterprise scheme which puts business people in touch with a local solicitor and provides a free introductory half hour of advice. More than half of the questions handled by the 2,500 solicitors in the scheme relate to business start-ups.

The Institute of Directors (IOD) provides free legal advice to members as part of its business advisory service. It handles about 50 legal queries a month, half relating to employment issues. The Federation of Small Businesses (FSB) has a phone-in legal advice line which is extensively used by its 50,000 members.

Small business owners may want to start their search for a lawyer through one of the directories to the legal profession. These vary in their usefulness to the business reader – some are intended more for lawyers or aspirant lawyers – but one, The Legal 500, is subtitled The Client's Guide to UK Law Firms. It lists law firms by region and by specialism.

The directories may provide a start but personal recommendation probably remains the most common method of finding a law firm.

It needs, however, to be backed up by visits, preferably to two or three firms, to compare the service they offer. These visits will not be charged for. "If you don't know a firm, say you want to meet one of the partners for half an hour," says Vincent O'Callaghan, commercial and litigation partner at the London firm of Davies Arnold Cooper. "You will soon see if they are any good and whether they have the necessary expertise."

"Most solicitors would be happy to talk to a prospective client so he can assess how they would handle things, who would be involved, what they would charge and whether they were the right size of firm," explains Elder. "If a small company goes to a large firm of solicitors, it is likely to find that its affairs are dealt with by a junior member of staff."

Large companies frequently entrust their legal affairs to several different specialist firms though most small businesses would be better off establishing a long-term relationship with one law firm.

The better the solicitor knows their business, the more useful the legal advice can be. But companies should beware of keeping their legal affairs with a solicitor if the nature or scale of their business changes and their original lawyer is no longer appropriate.

Finding a lawyer is only the start. It is equally important to manage the relationship. Many businesses are poor at this and end up paying too much or obtaining a less efficient service.

Responsibility for dealing with the lawyers should be allocated to one person in the company, advises Elder. This might be the company secretary, finance director or, in the smaller company, the managing director. This prevents confusion over who has said what to the lawyer and means the lawyer does not run up large bills telling the same story to several different people.

If the company has called in a lawyer to handle a dispute, then it is best not to make the manager most closely involved responsible for dealing with the solicitor. The manager will be too close to the issue, may want to protect his or her position and may not prove an objective intermediary.

A solicitor will normally be happy to give advice over the phone if the matter is simple and all the background is known, says Elder. But it does not make sense to attempt to handle a long-running, complex issue by telephone. Messages may not be passed on to all the people involved and there may be arguments later over who said what. Better to write, fax or meet.

Businessmen cannot be expected to discuss every contract with their lawyer before signing but if a deal is unusual, valuable enough to damage the company if something went wrong, or is carried out under the other party's terms and conditions, then it makes sense to check with your lawyer, says Elder.

It is best to involve the lawyer at an early stage before a dispute arises or before relationships with the customer or supplier have broken down irretrievably.

Businesses frequently do not provide proper instructions or proper documentation to their lawyers. The company and its lawyer need to agree a common strategy and the company must then provide all the information to help the lawyer. Trickling out documents over a period of weeks or months means the lawyer cannot take early action.

Companies are sometimes reluctant to give their lawyer access to an employee who has already made a statement to the company or who works in a far-flung location.

But the lawyer frequently needs to speak directly to the employee involved to find out what happened.

The client must get the solicitor to provide an estimate of costs. They should agree in advance the likely overall cost or the hourly fee – though it is difficult to forecast litigation expenses – and the client should insist on receiving quarterly or even monthly bills.

Regular bills not only avoid unpleasant surprises, but they are a reminder of the cost of pursuing a particular action.

"It is sometimes difficult to tell a client who has got the bit between his teeth when to stop," says O'Callaghan.

Clients sometimes forget that going to court should be the last resort and that a settlement may make more commercial sense.

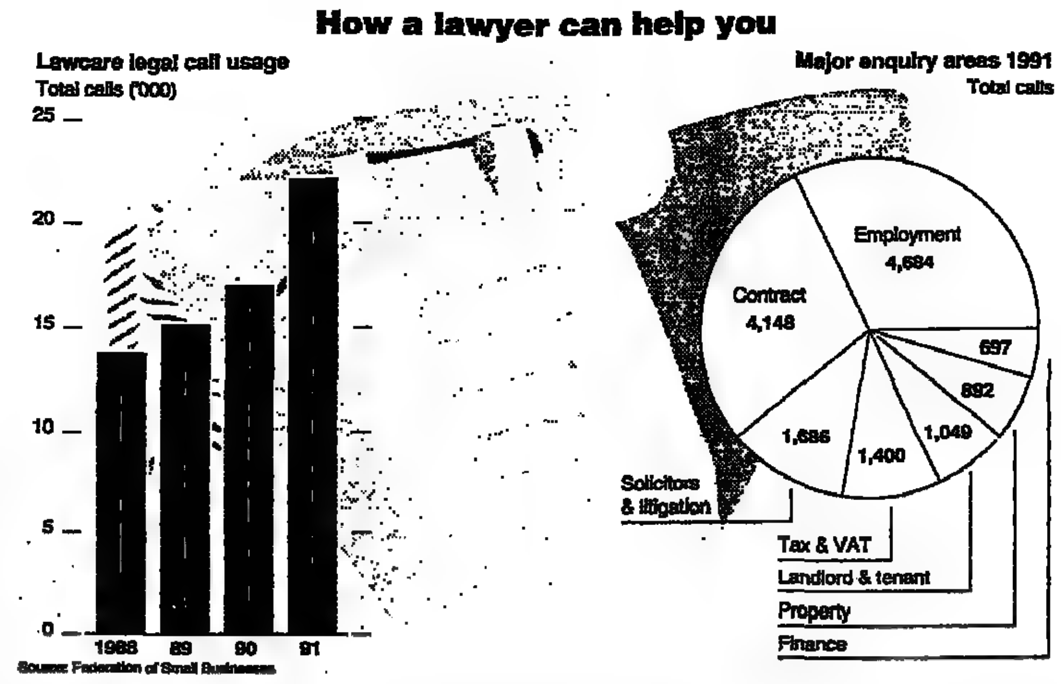
Finally, says Elder, don't hand over the decision-making to your lawyer. He or she is there to give advice but not to decide whether the risk of a particular course of action is worth taking.

"If you rely too much on lawyers you would never do anything," he says.

Useful contacts and reading. Lawyers for Enterprise. Tel 071 405 9075. IOD Tel 071 839 1233. FSB Tel 071 928 9272.

The Legal 500. By John Pritchard. Legalease. Tel 071 286 1890. £39. The Barclays Guide to Law for the Small Business. By Stephen Lloyd. Basil Blackwell. £7.95.

How a lawyer can help you



Cashing in on a good relationship with the bank manager

Many business owners no doubt imagined that the worst would be over by now but still find themselves mired in the recession. Tight financial controls and good relations with the bank manager are more than ever important for survival, writes Charles Batchelor.

A 10-point plan of corporate survival has been devised by Business Banking Review (BBR)*, a specialist consultancy.

- Make sure that the way you present financial information to the bank is of a high standard. It is no longer adequate to provide the numbers on the back of a cigarette packet.
- Keep your management accounting up to date so that you can raise funds quickly to take advantage of bargains created by the recession. BBR came across three companies which missed profitable opportunities because they could not provide the numbers to raise the money quickly enough.
- Forecast and monitor cash flow on a weekly or even daily basis.
- Check the terms and renewal dates of bank facilities and make sure that your bank's reporting requirements are being met. Plan carefully the negotiating position you will take at the next renewal meeting.
- Maximise cash flow by reducing stocks and keeping a tight control of debtors. Cut costs where possible and dispose of surplus assets.
- Review the profitability and cash generation capability of each part of your business. An activity may be making a profit but at the same time swallowing large amounts of cash.
- Maintain good communications with your bank manager. If there is bad news, make sure the bank knows but ensure you have a plan to put things right.
- Make sure you get a facility letter from your bank to cover any financing you have arranged. Check its contents to see it matches what you have agreed verbally. Sign it and return it to your bank. One company borrowed £1m from its bank to finance the purchase of a factory site over 20 years but signed a facility letter which allowed the bank to force repayment "on demand". Since the land could not be sold at short notice it had effectively given the bank control of its business.
- If necessary seek outside advice. New structures, facilities or institutions can often solve apparently impossible problems.
- Broaden the range of financial products and sources of finance you use. Businesses frequently make use of only a limited number of the available financing options.

**Gota House, 70-74 Cannon Street, London EC4N 6AE. Tel 071 528 8530.*

BUSINESSES FOR SALE

Touche Ross

Berkertex Group

(In Administrative Receivership)

The Joint Administrative Receivers, Christopher Morris and Roger A. Powdrill, offer for sale the business and assets of the Berkertex Group.

- ☐ Old established business in bridal and ladieswear.
- ☐ 250 UK outlets including concessions in major stores.
- ☐ 42 European outlets including 24 in Spain.
- ☐ Major wholesale supplier to mailorder trade.
- ☐ Total staff 1200.
- ☐ Group turnover £40m+.

Enquiries to Christopher Morris, Roger Powdrill or Tom Burton at the address below.

Deloitte Touche Tohmatsu International

PO Box 810, Friary Court, 65 Crutched Friars, London EC3N 2NP.
Tel: 071 936 3000. Fax: 071 480 6958.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Touche Ross

Five Flags Hotel
Cullingworth, Bradford

(Nicos Kkais Limited – In Administrative Receivership)

The Joint Administrative Receivers, K. S. Chalk and G. J. Watts, offer for sale the freehold interest, together with the goodwill, fixtures and fittings of the well known and popular Five Flags Hotel, the main features of which are:

- ☐ High Profile Site on busy main road – only 7 miles from Bradford City Centre.
- ☐ 26 En Suite Letting Bedrooms.
- ☐ Conference/Banqueting Suite with Bar (220+).
- ☐ Restaurant (60 covers).
- ☐ 3 Individual Bars.
- ☐ Turnover approximately £7,000 per week.
- ☐ Excellent Car Parking (130).

For further information contact:
Adam Lansdown of Robert Barry & Co, 21 Victoria Avenue, Harrogate, North Yorkshire HG1 5RD, Tel: 0423 566362, Fax: 0423 500053, or David Handley of Touche Ross & Co. at the address below.

Deloitte Touche Tohmatsu International

Abbey House, 74 Mosley Street, Manchester M60 2AT.
Tel: 061 228 3456. Fax: 061 236 0720.
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Touche Ross

Welltrain International Limited

(In Receivership)

The Joint Receivers offer for sale the business and assets of the above company which provides training to personnel in the oil industry.

- ☐ Leading training provider to the oil and gas industry worldwide.
- ☐ Annual turnover £1 million.
- ☐ Experienced and skilled workforce.
- ☐ Specialised computer simulator equipment.
- ☐ Operates from leasehold premises in Aberdeen.
- ☐ Established company, customer base in UK and abroad.

For further information please contact Robin Wilson or Graham Martin at the company's premises, Tel: 0224 624000, Fax: 0224 635484, or at the address below.

Deloitte Touche Tohmatsu International

66 Queen's Road, Aberdeen AB1 6YE.
Tel: 0224 325375. Fax: 0224 313611.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Autohomes (UK) Limited

The Joint Administrative Receivers offer for sale as a going concern the business and assets of the above company, one of the leading manufacturers of motor caravans in the U.K.

Principal features include:

- BS5750 certification for manufacture and sales.
- Modern product range and established dealer network throughout the U.K.
- Turnover of approximately £5.5 million per annum.
- Leasehold property comprising 65,000 square feet of factory plus office space and yards at Poole, Dorset.

For further information contact the Joint Administrative Receiver, John Dare, KPMG Peat Marwick, 8th Floor, Dukes Keep, Marsh Lane, Southampton SO1 1EX. Tel: 0703 631465. Fax: 0703 223547.

KPMG Corporate Recovery

Trentside Engineering Company Limited

The Joint Administrative Receivers offer for sale as a going concern the business and assets of the above company.

This subcontract engineering company is engaged in machining, fabrication, assembly and machine building for a variety of industries. It also produces components for the motor trade.

Salient features include:

- Freehold premises, 47,000 sq ft on 2¼ acres in Stoke on Trent
- Fully equipped workshops
- Strong customer base
- Highly skilled workforce
- Turnover year ended 31 March 1992, £1.7 million

For further information contact the Joint Administrative Receiver, David Milburn, KPMG Peat Marwick, Festival Way, Stoke on Trent, Staffordshire, ST1 5TA. Tel: 0782 216000. Fax: 0782 216050.

KPMG Corporate Recovery

QUOTED PLC VEHICLE

We are a quoted public company with a small, yet profitable manufacturing business, and a modest market capitalisation.

The company has emerged from the recession lean and fit and, after careful consideration, we are convinced that now is the time to contemplate a quantum leap through acquiring (by reverse takeover) a significant and strong business, to capitalise on the important opportunities which, in due course, the post-recessionary period will offer. Recognising that such an acquisition would transform the Company, we take an entirely pragmatic view of our own positions within an enlarged group.

The ideal candidate will boast a large and profitable business, and dedicated and enthusiastic managers who have determined that a stockmarket quotation should facilitate the achievement of their strategic goals. Their business may be private and family owned; it may be private and backed by external investors; it may be part of a larger group. In any event it must have a successful track record and sound prospects.

We would welcome hearing from the managers of any such business (no intermediaries please) with whom any discussions will, of course, be treated in strict confidence. Our advisers will provide mutual confidentiality undertakings.

Please write to us at Box No. A4349,
Financial Times, One Southwark Bridge,
London SE1 9HL.

The North West Independent Clinic

The Administrative Receiver of The North West Independent Clinic Limited, Stephen Prenter of Stoy Hayward offers the business and assets for sale as a going concern. The North West Independent Clinic is located in Ballykelly, near Londonderry, Northern Ireland and is a purpose built private hospital opened in 1989.

The hospital offers:

- High Specification facilities;
- 30 bedroom ward complex;
- Two operating theatres and ancillary rooms;
- X-ray and other support facilities;
- Extensive eight acre site; and
- Experienced and qualified staff.

For further information contact: The Administrative Receiver, Stephen Prenter FCA, Stoy Hayward, Lindsay House, 10 Callender Street, BELFAST BT1 5BN. Tel: 0232 439009, Fax: 0232 439010.

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Accountants and Business Advisers

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REPUBLIC OF POLAND
MINISTRY OF PRIVATIZATION
INVITATION TO NEGOTIATE

The Minister of Privatization, acting on behalf of the State Treasury in accordance with Article 23 of the Privatization of State-Owned Enterprises Act of July 13, 1990 (the Privatisation Act), hereby issues an Invitation to Negotiate to all suitably qualified parties interested in the purchase of the shares of "NOVITA" S.A. (the Company). This invitation is for the purchase of no less than 10% of the share capital and no more than the total share capital of the Company less the shares to be offered to the Company's employees pursuant to Article 24 of the Privatization Act.

In accordance with Article 24 of the Privatization Act, up to 20% of the shares of the Company will be offered to the employees of "NOVITA" S.A. on a preferential basis. The present invitation to negotiate includes negotiations on the option to purchase shares offered to the employees pursuant to this article but not purchased by the employees.

"NOVITA" SA is a producer of textile floor coverings located in Zielona Gora.

Information memorandum can be obtained from:

PRO-INVEST INTERNATIONAL, LTD.
00-791 Warsaw, Poland
14, Chocimska str.
tel.: (048-22) 49-34-58 or 48-95-32
tlx: 82-50-42 proin pl
fax: (048-22) 49-85-69 or (048) 3912-11-23
Mr. Pawel Jagiello

after signing the confidentiality agreement.

All responses to this invitation to negotiate must be sent by registered mail and received no later than October 12, 1992 to PRO-INVEST INTERNATIONAL, LTD. acting as the Transaction Manager on behalf of the Ministry of Privatization at the above mentioned address.

Ministry of Privatization reserves the rights not to choose any of the offers as well as to retain a part of shares offered for sale.

FOR SALE
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- T/o £7 million
- UK based

For further information please contact:
Stan J Patey or David Hearn, at
Pannell Kerr Forster
New Garden House
78 Hatton Garden
London EC1N 8JA

Tel: 071 831-7393
Fax: 071 [illegible]

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CHARTERED ACCOUNTANTS

Walters Engineering Limited, Chippenham.

(In Administrative Receivership)

Specialist project engineers with capability for the complete design, manufacture, assembly and test of one off to small batch electro-mechanical assemblies. Approved supplier to many major international companies with a proven track record for quality and customer satisfaction.

The business and assets of the above company are offered for sale as a going concern by the Joint Administrative Receivers.

- Modern high specification leasehold premises (freehold may be available).
- 18,000 sq. ft. fully equipped factory space with overhead gantry crane, plus office space.
- Quality approvals – BS5750 part 2, AQAP4, and German TUV.
- Stocks and work in progress.
- Substantial orders on hand from a quality customer base.
- Skilled workforce of 55.

For further information contact PRC Denham FCA, Joint Administrative Receiver, Price Waterhouse, 31 Great George Street, Bristol BS1 5QD. Tel: (0272) 293701. Fax: (0272) 290578.

Price Waterhouse

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La Rosiere Montvalezan, Nr Bourg-St-Maurice
FRANCE

- Purpose built apartment block with 51 units remaining
- Located in outstanding ski resort with exceptional snow cover
- All apartments furnished to a high standard with ensuite facilities and self-catering equipment
- Excellent investment opportunity with significant income growth potential.

Freehold offers in excess of £1,500,000 sought for block purchase of the 51 apartments.

Contact:
PATRICK RYAN or CHRIS DAY—Tel: 071 486 4231 Fax: 071 935 4032

CHRISTIE & CO
INTERNATIONAL
DIVISION

PROCESSED GLASS MANUFACTURER
L Greenberg Limited

The Joint Administrators, Mark Pallos and Michael Horrocks, offer for sale the business and assets of this manufacturer of processed glass products which specialises in toughened safety glass and structural frameless glass systems.

Principal features of the business include:

- quality glass processor
- turnover £2.5 million
- leasehold premises on motorway network
- modern semi-automatic production lines
- all appropriate kite marks, including BS5750

For further information, please contact the Joint Administrator, Mark Pallos (quoting reference TGW) at Cork Gully, Richmond House, 1 Rumford Place, Liverpool L3 9QS. Telephone: 051 236 5299. Fax: 051 227 4575.

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

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Gold Mine Residue Retreatment Plant
1.5m TON Ore available
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Operational Plant
£0.7M (neg)
For prospectus fax 0904 611223
Attn: Mr Chadwick

ETBA

ANNOUNCEMENT
Sale of the Cruise Vessel
ORION

The Hellenic Industrial Development Bank (ETBA S.A.) will hold a public auction with sealed offers for the sale to the highest bidder of the cruise vessel ORION.

Opening of Bids: 22 September 1992
Time of Opening: 12 noon

The ORION is presently laid up in the Bay of Eleusis and is a vessel of 6119 grt. with a capacity of 326 passengers, built in 1953 and rebuilt in 1979.

Bids must be accompanied by the appropriate guarantee, otherwise they shall not be taken into consideration. In addition, they must be submitted by the interested party or the authorised representative of such party at 12 noon on Tuesday, 22nd September 1992 at the head office of ETBA S.A. (Fixed Assets Subdivision - Asset Development Department), 87 Syngrou Avenue, (1st floor - Training Room), Athens.

All bids must state that the interested party was informed of the terms of the sale by auction and unreservedly accepts same.

Letter of guarantee: equal to 10% of the purchase offer.

For further information and the terms of sale, telephone 30 - 1 - 929.4561.

TECHNOLOGY

Safer plug for electric appliances

A new invention could mark the death knell of one of the most tedious chores in the British home – the fiddly pursuit of fitting a plug to an electric appliance.

Long regarded as the basic test of any do-it-yourself enthusiast, the standard electrical plug has been the downfall of many budding electricians, often with tragic consequences. Twenty-eight people were electrocuted in their homes in 1990 and a further 2,000 treated in hospital as a result of wrongly-wired appliances.

Concern at the dangers this year prompted the government to announce legislation – due to come into effect next summer – requiring manufacturers to fit plugs to domestic appliances.

In turn, the manufacturers have increased calls for a fail-safe plug which can be fitted quickly and easily, thus protecting them against insurance claims for faulty wiring and avoiding increased labour costs involved in fitting appliances.

The result is the Rotaplug: a plug wired in seconds – without a screwdriver – which has passed the stringent British Standard tests and is about to be launched on the UK market.

Hugh Gilbert, the designer, claims the invention could revolutionise the methods used to connect electrical appliances and envisages strong demand. More than 66m plugs are sold each year in the UK.

His design is simple. The wires of the appliance are inserted into a socket at the base of the three-pin plug. The whole centre of the plug, where the pins protrude, twists through 90 degrees locking the wires into place.

The fuse is fitted in a separate pop-up container and can be replaced without opening the plug or exposing the wires.

The plug, which can be wired in less than 10 seconds, has taken about seven years to develop. "The Rotaplug is aimed at both the retail and the appliance manufacturers market," says Gilbert.

"The appeal to appliance manufacturers is partly due to the significantly decreased labour costs in fitting the plug, but also providing consumers with the flexibility of a plug that can easily be unwired and refitted."

Tim Burt

Acquiring new tricks

Geof Wheelwright describes how the humble fax machine has become an indispensable part of the office

Since the facsimile machine first started to become a popular business tool in the early 1980s, it has changed out of all proportion. Once a slow and limited form of sending documents from one place to another over the phone line, it has become the heart of many office data and telecommunications operations.

A number of important functions have given the humble fax machine much greater responsibility. These include:

- **Corporate document management.** When you circulate copies of a document around the country using the postal system or even a company's interbranch mail system, you can never guarantee exactly when the document has been sent and when it will arrive. With a fax machine, you can not only be sure that a copy of your document arrives moments after it is sent, but the built-in "log" facility on most modern fax machines will automatically track which documents were sent, how many pages were in each document and when it was successfully received.
- **Telephone management.** Most modern fax machines incorporate a number of telephony functions. These include the ability to determine whether an incoming call is from another fax machine or a voice call, unattended answering of voice calls using an "answering machine" mode, storage of large numbers of telephone numbers in the fax machine's internal memory and allowing the fax machine to double as a standard business telephone.
- **Personal photocopying.** Surprising as it may seem, fax machines are generally cheaper than photocopiers. For this reason many smaller enterprises use the "copy" function of their fax machine to prevent laying out unnecessary cash for costly and more bulkier photocopy machines.
- **Personal computer connectivity.** Upmarket fax machines are starting to snuggle up to PCs. Major telecoms manufacturers such as Panasonic now offer computer interfaces at the back of their machines.

These computer interfaces allow PCs to control the operation of the fax machine and hook up via a parallel or serial port. The software which usually comes with such PC connections allows the fax machine to act as a "printing" device so that anything generated on the PC's screen can be sent as a fax. Anything received on the fax can either be printed out or saved as an image file on the PC.

Using some innovative software from Xerox, you can even use a fax machine to give instructions to a PC. Known as PaperWorks, this software operates by having you fax a special form to your computer containing details of what you want it to do. The computer will then act accordingly on the instructions – which would most commonly be to fax back information stored on the computer itself.

It is designed for people who often need to get at the information on their desktop computer, but do not want the encumbrance or cost of carrying a portable PC around with them when they travel. Xerox expects the system to have great appeal for people who are self-employed and work from home.

Meanwhile, computers and fax machines are converging into one single system in many cases – eliminating the need for a dedicated fax machine altogether.

The simplest example of this is a fax machine that uses PC and laser or ink jet technologies to produce what are called "plain paper" faxes. These are ordinary fax machines with slightly more processing power and the ability to produce faxes on plain plain, rather than the thermal paper used in most machines.

The second category of computer integration comes with fax devices that hook up to PC laser printers. These are miniature PCs in their own right but are dedicated solely to the purpose of handling faxes.

JetFax's JetFax II, for example, will hook up to any Hewlett-Packard LaserJet or compatible laser printer and allow you to print incoming faxes out on the laser printer or send anything generated on-screen as a fax.

HP has its own fax attachment, known as the LaserJet Fax, which does the same thing but allows you to send ordinary paper documents as faxes along with anything generated on screen.

If you have little need for a printer, there is a huge variety of fax modems which will accomplish the same task – and many start for as little as £150.

These are generally Hayes-compatible internal modems which come with fax "send and receive" software. They allow you to fax documents directly from the PC which you would normally print out on a printer, and also take whatever is received from a standard fax machine and turn it into a computer graphics file that can be incorporated into other documents.

According to a recent study by Norwell, Massachusetts-based BIS Strategic Decisions, 1991 fax modem sales in the US exceeded 500,000 units – more than double the number sold in the previous year. BIS says that fax modems currently make up 13 per cent of all fax products sold and predicts that modem sales will rise to 47 per cent of all fax products sold by 1995.

Meanwhile, leading California-based market research firm Dataquest predicts that 8m fax modems will be installed by 1995 – something like five times the number in use today. By then the value of annual sales will reach $1.1bn.

All of this has Intel Corporation – which has a strong business selling fax modems in North America – optimistic about the future of the technology.

"The conventional modem capable only of handling data is a dying breed," says Dick Gough, desktop enhancements business unit manager for Intel's PC enhancement division. "Today's users expect data and fax functionality when they buy a modem."

The only area where fax modems really fall down is that they are not ideal for transmitting documents that you did not create on the computer. If, for example, your lawyer faxes over a document which needs a signature, you will have a hard time providing that with an on-screen copy of the fax.

The short message is that although fax machines, printers, scanners and computers are fast coming together – they are not quite there yet. And before you decided to junk your traditional fax machine in favour of a PC-based alternative, take a long hard look at what you expecting it to do first.

Technically Speaking

Getting heated about insurance

By David Lascelles

LIKE many people who buy home computers knowing little about technology, I was persuaded to sign up for an extended warranty policy to cover repairs once the original guarantee ran out. It turned out to be a costly mistake – though I also learnt that there is a remedy.

In my case, the two-year policy was from Restart, an insurance package sold by Dixons, the retailers, for which I paid £182. This entitled me to have a repairman call at my home within 24 hours. I use my computer a lot as a word processor and as a remote terminal for the FT's computer and database, so I need this reassurance.

For the first 18 months, everything was fine. But last November the screen started bouncing up and down. The problem got so bad that I decided to call in Restart. Within 24 hours, as promised, a man came from ACT, the servicing firm which carries out the work for Restart. He took one look at the screen. "It's too close to a radiator," he said. "It should be all right if you move it away."

That was all. He spent the next quarter of an hour using my phone to fix up new appointments, and left. I thought that was the end of it. But two months later I received a letter from a company called London General Holdings which, it turned out, were the underwriters on the insurance policy. Their claims assessor, Michael Springer, said they would not pay up because the policy "does not include coverage of faults that are caused by a wilful act or neglect or failure to follow the manufacturer's instructions".

He enclosed ACT's bill for £130 and told me to pay up. I was, to put it mildly, flabbergasted.

I searched the operating manual for an instruction to keep the computer away from a radiator but could not find one. So I wrote to Springer asking him to direct me to it. He wrote back: "I cannot give a precise reference in your manufacturer's operating instructions where you are advised to install your computer away from a heat source." In other words, he could not support the reason for rejecting my claim. I then wrote to his boss asking him what wilful act or neglect I had perpetrated. He was unable to substantiate that charge either.

I was obviously at an impasse, and ACT was writing impatient letters asking for payment. But I was determined not to let the matter rest.

To cut a long story short, I complained to the Insurance Ombudsman who arbitrates in disputes between insurance companies and their customers. I sent him copies of all my correspondence, and he agreed to look into my case. After about three months, I received a brief letter from Springer saying that "as advised by the Insurance Ombudsman" he was settling my claim.

It was a sweet victory, but not, I have to say, one that surprised me. The case put up by London General (which despite its name is a subsidiary of Chicago-based Aon Corporation) was obviously weak, and the long correspondence I had with them yielded little but their repeated assertions that I had misinterpreted their policy.

I gather from ACT that my problem with London General was not an isolated one: many customers received bills for £130, and complained. Since then, Restart has switched to different underwriters, which suggests that there were deeper problems in the relationship as well. (Springer declined to make any comment for this article.)

For me, the case exposed worrying differences in understanding over the purpose of an extended warranty contract. If I pay a lot of money for a policy to have a repairman call, I do not expect to be told two months later that the call was not justified.

Policies should either be more clearly written, or policyholders should be advised beforehand that there is a risk that the insurance company will reject the claim, and the cost that entails.

The Insurance Ombudsman obviously has some sympathy with this view. But I have not renewed the policy.

BUSINESS LAW

Legal maze of Maastricht

By Celia Hampton

From a legal point of view, the Maastricht Treaty on European is rather a mixed bag. Provisions on economic and monetary union in the treaty are of immediate concern to governments and the money markets, but at this stage they say little to lawyers or businessmen. This is also largely true of provisions on foreign policy and home affairs.

One significant legal change is the entrenchment of "subsidiarity" in the text of the treaty. Changes to the rules on capital movements include power to act collectively on inward investment into the Community. Of the remaining legal provisions, three examples will serve to show what a maze the treaty really is:

- a new legislative method,
- new Community objectives,
- exclusion of the UK from the social agreement.

Only the first helps business in any way; the second and third will add little or nothing to the coherence of Community law in principle or in practice.

Legislative method is important for business because the Parliament is the most accessible channel for lobbying. The convoluted new procedure under article 189b, giving the Parliament the right ultimately to reject a measure, is therefore a positive development.

A welcome improvement connected with this is the identification of the correct legislative method for most of the treaty powers. Litigation challenging the adoption of directives and regulations for having followed the wrong path became an unnecessary burden on the Court after 1986 when the Single European Act enhanced the Parliament's role. If the ministers adopted unanimous decisions when they could have voted by majority, they relegated the Parliament to its old role of bare consultation: its opinion had to be sought but no notice had to be taken of what it said. The Court put this right by insisting that the correct procedure be followed, though the effect of an invalidated measure can be preserved pending proper adoption.

Examples of measures that will have to use the new procedure are "single market measures" under article 100a, rules on the free movement of workers, the freedom to establish a business, and consumer protection. Examples for the present co-operation procedure (which allows the Council of Ministers to override the Parliament's amendments only by unanimous vote) are rules on health and safety at work, transport and the environment.

The Community's objectives under the new article 3 have a hint of political compromise about them. They are central to Community law because the European Court refers to them when spelling out the meaning of more specific rules. Moreover, they embody the goals for the EC countries' domestic lawmaking and may influence the Court when deciding whether a national rule is contrary to Community law.

The Maastricht treaty adds a number of new interests – immigration and freedom of movement of non-EC nationals, the competitiveness of European industry, trans-European networks, education and training, the "flowering" of national cultures, energy, civil protection and tourism. Economic and social cohesion, research and development, the environment, health, consumer protection and the fisheries policy are given full-blown status as objectives. These are added to familiar items such as competition and the free movement of people, goods, services and capital.

The different interests are accorded relative importance by a wide variety of qualifying words. For example, cohesion and industry's competitiveness are to be "strengthened", R&D is to be "promoted", and the establishment and development of networks are to be "encouraged". The negotiators seem to have been nervous about health and consumer interests: the treaty will aim for "contributions" to "the attainment of a high level of health protection" and "the strengthening of consumer protection". For non-EC nationals and for energy, civil protection and tourism, it will aim for "measures". The environment is to be given a "policy" in place of a requirement for Community action.

The European Court will be called upon to give practical meaning to these expressions. Some of them are little more than statements of good intent and others simply empower the Community to act in a particular field.

For example, no indication of the type of action to be taken could be implied from the Community's duty to take "measures in the sphere of energy"; nothing more seems to be said about energy in the treaty.

Interests that call for measures or a policy generally call also for action by the Council of Ministers. The Court can give some effect to these, provided a positive purpose can be identified, even if the ministers prove unable to agree on what to do. How the Court would treat the need to make a "contribution" remains to be seen.

No indication of the action to be taken could be implied from the duty to take 'measures in the sphere of energy'

An obviously troublesome item is industrial competitiveness. Admittedly, the follow-up provision states that it may not be used as the basis for any measure which could lead to a distortion of competition, so the Commission will be able to continue its competition-based approach to mergers and competition law generally.

It augurs badly in relation to issues where no clear-cut distortion of competition is threatened. It could also weaken the hand of those commissioners who take a sternly free-market view in arguments over industrial subsidies. Although it might be possible to say that a competitive company is one which has been made muscular by vigorous competition on its home market, conventional wisdom would say that, to compete internationally with US and Asian megaliths, a European enterprise needs size and domestic market power.

Other ambiguities could arise. For example, could not a higher-than-normal health precaution in one EC country be said to "contribute to the attainment of a high level of health protection"? Could the more protective country justify its standards on, say, the labelling of pharmaceutical products, even though other countries considered such precautions unnecessary?

Again, does "culture" include national cuisine? If so, could the name of a dish be culturally protected despite the present rules confining protection quite strictly to geographical origin?

These riddles may prove simple compared with those resulting from the partial implementation of the treaty. The UK's refusal to sign the the agreement on employment law will dilute the uniform, mandatory nature of Community law and confuse UK businesses that are active in other EC countries.

The present articles 117-122 of the Treaty remain almost unchanged. Article 118a allows directives to be issued on the health and safety of workers, and article 119 directly requires equal pay for equal work by men and women. These overlap some of the issues covered by the social agreement between the other 11 countries (for example, equality of the sexes in treatment at work). The agreement also restates article 119, but with an addition allowing advantages to be granted in favour of women to compensate for disadvantages in their careers. This safeguard against wayward claims of discrimination by men will not be available to UK employers.

On their own, the legal divergences between EC countries caused by this schism might be manageable. They have, however, to be combined with whatever compromise is reached with Denmark, which rejected the Maastricht treaty but is still a full member of the Community, and with the extension of Community law to the Efta countries up to the date of signature of the EEA Agreement (May 2 1992).

Dealings in other European countries will not be made any easier by having to refer to several different Community laws. The business traveller's overnight bag will more than ever need to include a lawyer.

The author is executive editor of Financial Times Business Law Brief.

PEOPLE

Yurko is Siebe's heir-apparent

Will Allen Yurko, yesterday revealed as the heir-apparent at controls manufacturer Siebe, exhibit the same sureness of touch as Welshman Barrie Stephens, who has inhabited the chief executive seat for the past 29 years?

"Any company that is dependent on one man has not been structured properly," says Stephens, who has taken sales from £370m to £1.6bn in the past six years alone and presided over one of the few engineering companies to continue to defy the ravages of recession. The City has been awaiting confirmation of Stephens' promise at the time of the half year results in June that his successor was in place.

At yesterday's agm, he announced that he has picked Yurko, a 41-year-old American who is president and chief operating officer of Siebe's temperature and appliance controls division – "a warrior" he says, which from Stephens, 64, with his reputation for boundless energy and toughness, is praise indeed.

Yurko moves to London next month, into the new position of managing director and chief operating officer. Stephens says all reporting lines will then filter into Yurko – save the chief financial officer who will continue to report to him. While Stephens, who took on the role of chairman in December 1990, says he had intended to retire from his executive role this Christmas, his board has "prevailed" upon him to defer his departure. At the end of 1993 he will step down as chief executive, but remain as non-executive chairman.

Born in Canada, into a family of Romanian and Ukrainian stock, Yurko has been at Siebe in the US for the last three and a half years, joining the main board in June 1991. He had earlier worked with Mueller Holdings and Eaton Corporation.

■ Mark Gravatt (above), a senior consultant at Touche Ross, returns to Welton Packaging, part of BOWATER, as finance director. He had been management accountant at Welton from 1985-1987.

■ Brian Baylis is the new chief executive of CHESSBOURNE INTERNATIONAL. He had been chief executive of Dewhurst.

■ Kevin Bryett has been promoted to md of MERIEUX UK.

■ Frank Cooper has been appointed engineering director of Smith Flow Control, a HALMA subsidiary.

Pinches on phone to DTI

Mike Pinches, managing director of Orbitel, the mobile communications manufacturer owned by the Vodafone group and Sweden's Ericsson, is being seconded to the Department of Trade and Industry at the beginning of next month.

He will act as an industrial adviser to the division of the department which deals with posts and telecommunications, and will initially produce a report on the international competitiveness of the UK mobile communications manufacturing industry.

The secondment is seen as an instance of the closer co-operation between government and industry being instituted by Michael Heseltine, president of the Board of Trade.

Pinches has been at Orbitel for five and a half years and is being replaced as managing director by David Sims, currently managing director of Meggitt Electronic Components, a subsidiary of Meggitt, the engineering group.

■ Steve Ireland, controller of regional programmes at TYNE TEES TELEVISION, is appointed director of programmes on the resignation of Adrian Metcalfe. Metcalfe becomes a programme consultant. James Lancaster, currently director of resources, takes on the new position of deputy md.

■ Michael Marriott has been appointed company secretary of *SUTCLIFFE SPEAKMAN* in place of Peter Norman.

■ Gerry Arnold has been appointed director of sales of *HOOVER EUROPE*; he moves from Unilever.

Wolff leaves Rudolf Wolff

John Wolff is to leave Rudolf Wolff, the metal and commodity broker where he is marketing director and which his family sold to Noranda, the Canadian natural resources group in 1981.

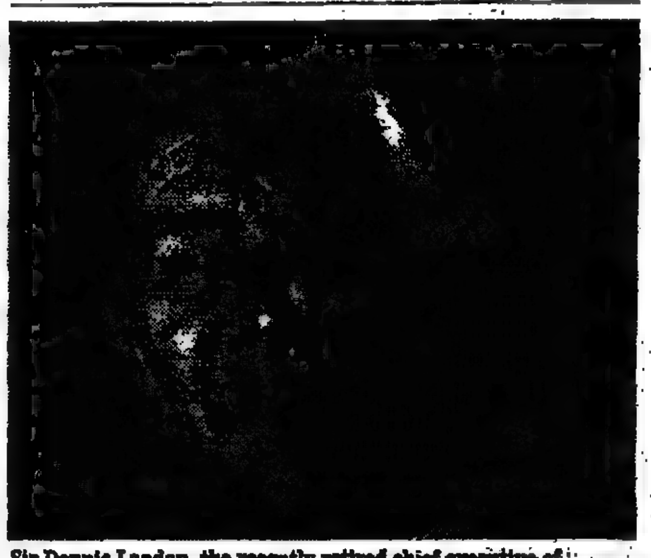
His departure at the end of December means he also has to give up the chairmanship of the London Metal Exchange, where he is the third member of his family to hold an executive position in the management of the exchange since his great-grandfather, Rudolf, helped to form it in 1877.

Wolff, now 52, joined the family company at the age of 18. He said yesterday: "When you have been brought up in an entrepreneurial family company the changes involved in becoming part of a huge, public group – the systems and planning – inevitably grate slightly."

So, "after a lot of hard thinking," he has decided the time has come to go-it-alone. He is to provide investment advice and merchant banking services on the metals business. "I have been in the business for 32 years and I will be selling my expertise to people who want to tap into it."

The company also announced that Bill Harker, 52, who joined Wolff as managing director from the Royal Trust, Canada's largest trust bank, in January is to succeed Francis Holford as Wolff's chief executive with responsibility for its direction and management. Holford, 54, who married into the Wolff family, stays on as chairman.

John Wolff insisted last night there had been no row and that his departure was amicable. "You have only one life and I have decided I must get on and change mine now." *(see Observer)*



Sir Dennis Landau, the recently retired chief executive of Co-operative Wholesale Society, takes over this month as chairman of Unity Trust Bank, the small bank set up by the CWS and a number of trade unions in 1984. He succeeds Terry Thomas, the managing director of Co-operative Bank, who is to remain on the Unity Trust board. Co-op Bank currently owns about a third of the equity of Unity Trust.

هكذا صدر الأصل

Hecuba

David Murray

WRITTEN a decade earlier than his *Trojan Women*, Euripides' *Hecuba* is in story-terms a sequel to it – and even grimmer. Within the past 20 years, *The Trojan Women* has become almost a staple of modern-Ancient theatre, while *Hecuba* is known mainly by classicists. For the sake of the rediscovery, Laurence Boswell's fine production at the Gate is greatly welcome; but it has many virtues besides.

The Trojan Women is a chain of laments and denunciations by the ladies of the fallen Trojan court (including Helen), about to be shipped off to Greek exile and slavery. In *Hecuba*, they and their captors have reached Thrace, where their ships are becalmed for a while – and where King Priam's widow expects to find her last surviving son Polydorus, sent long ago into safe asylum there.

But we know from the start that he has been murdered by the "friendly" King of Thrace, for his mud-stained shade (John Straiton) has risen from the underworld to tell us. This and other dreadful things remain for Hecuba to face, though she thinks her despair complete. Before the end, she contrives a ghastly retribution upon the King.

A note by the translator Kenneth McLeish suggests that the tragedy does not fit Aristotle's famous formula (no o'er-reaching *hubris* here); but the more general rubric of "pity and terror" holds good with a vengeance.

McLeish's Englishing is pithy, sometimes modern-colloquial but never slangy, often planting single words like speaking wounds – *PAIN!* – but leaving room too for great formulaic howls. Translation into a tiny arena like The Gate has to be radical; Euripides wrote the agonised central role for a male actor (possibly himself) to deliver through a mask to an amphitheatre crowd of 14,000 strong. Here Ann Mitchell opts for tight-lipped, beady-eyed British control, broken by rare convulsive outbursts. It works.

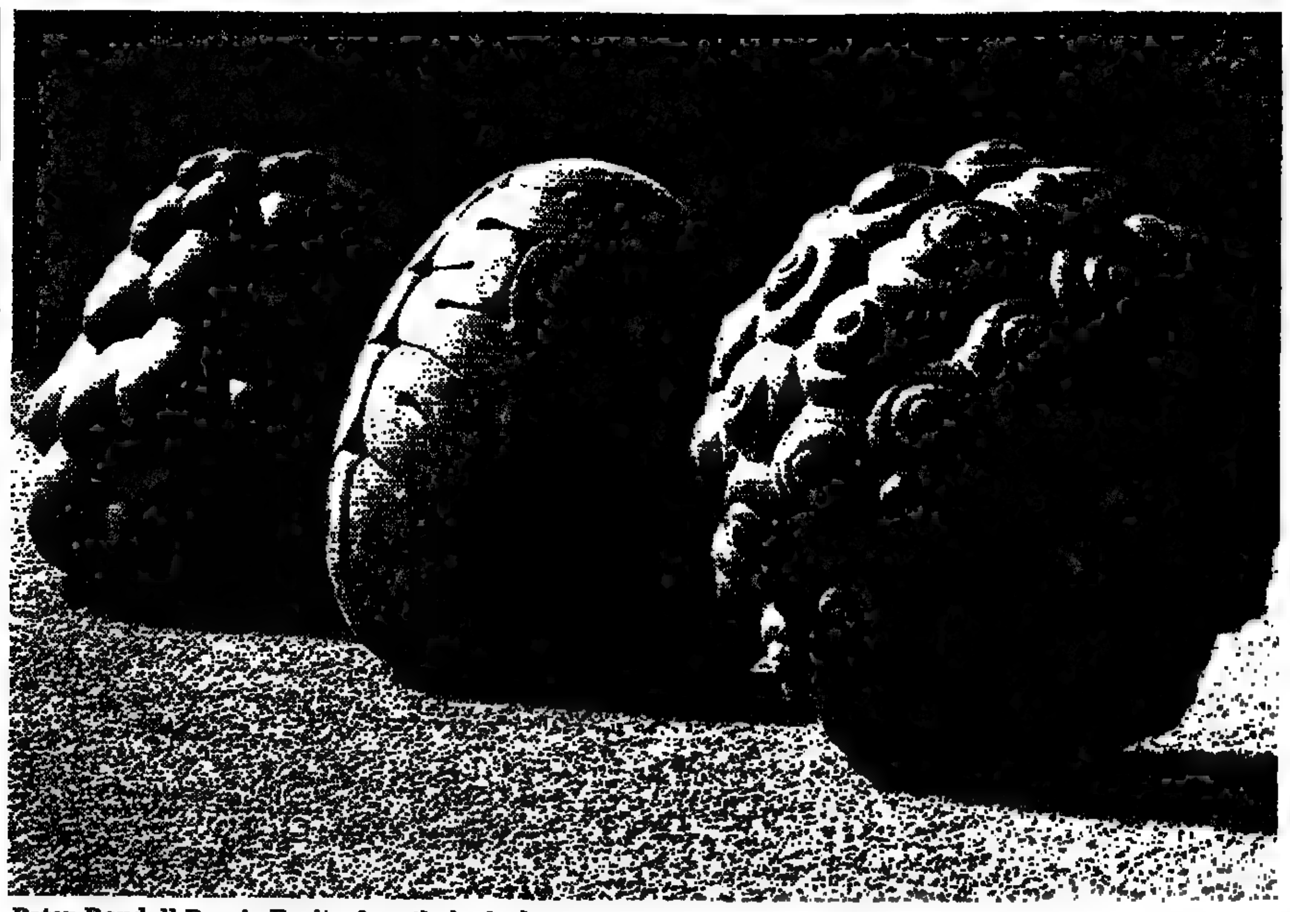
Since it matters that the treacherous Thracians should be deeply non-Greek, Boswell has cast them as black. That works too, and we get the bonus of Don Warrington's impeccable performance as the guilty King – first suavely gracious, brought later to pitiable ruin.

Every other role is strongly filled: Hecuba's doomed daughter Polyxena by Sara Mair-Thomas, a temporising Agamemnon from Sylvestor Morand, Christopher Robbie as the Greeks' doubt-free executive Talthybius. Kevork Melikyan's single appearance as Odysseus (classically, "the wily...") leaves a potently dismaying impression: alert, unwinking intelligence without sympathy.

Somehow Boswell has managed to deploy a cast of 25 in this unlikely space. It is no extravagance, for the dozen Trojan women – as distinct from the ladies – sing their choruses in as many as three parts with solos, in Mick Sands' astringently fresh settings: ethnic-flavoured (pipes and drums), dateless and economical, but laden with *Affekt*. Anyone about to stage an Ancient Greek play should enlist Sands at once.

The costumes are an apt motley of plain robes, homespun tunics, eastern embroidery and shawls. If there is some influence from Declan Donnellan's celebrated production of Vega's *Fuente Ovejuna*, that is all to the good. The show takes less than an hour and three-quarters, without an interval. It is not "popular entertainment"; but one is seldom so forcibly persuaded that a Greek reconstruction has hit the jugular vein of the scarifying original text.

The Gate, Pembridge Road, London W11, until 3 October



Peter Randall-Page's Fruit of mythological trees

London Promenade Concerts

Mahler, Bruckner and Beethoven

THE audience for Mahler has not changed since he became popular in the Sixties. Last Friday, the Albert Hall was packed to the rafters and it was a sea of young faces, the second generation to have been raised on the composer's gigantic symphonies.

It can be a problem to know what to put with the larger of them, but this programme neatly paired the Fifth Symphony with Berg's Violin Concerto, which can claim a direct Mahlerian line of descent. The soloist was Anne-Sophie Mutter, who has spent the past year on sabbatical. The Berg concerto is the work with which she has chosen to make her return, and her tender performance of it could almost have been intended to link with the favourite Mahler adagietto to come.

In recent recordings of concertos by Bartók and Mozart, Anne-Sophie Mutter's playing had started to sound larger-than-life to an unpleasing degree, but this Berg marked a return to a subtler kind of musicianship. The quiet playing shimmered with colours. The portamentos, of which she is fond, were delicately done. Recent research has claimed to find a hidden autobiographical programme behind this concerto and in Mutter's performance it was possible to believe that this is indeed music of a secret love.

After the interval, the symphony revealed few hidden charms. Michael Tilson Thomas likes his Mahler to be crisp and alert, if not going so far as to be a mere orchestral showpiece. On that level, his ideas about the Fifth Symphony are well sorted out and the performance might have succeeded if the London Symphony Orchestra's playing had been as consistently brilliant as he needed.

It is good to hear the LSO away from the Barbican, but on this showing it did not sound a great orchestra. The best passages were the latter part of the scherzo and the finale, where conductor and orchestra alike were in a high state of alertness. The adagietto also started well, brisk, purposeful, unsentimental, although it lost momentum later. But in the rest, tension was relaxed and the ensemble lost the edge which was the performance's raison d'être.

On Saturday, another capacity audience gathered to hear a second big, romantic symphony. Last year, Günter Wand was forced to cancel a concert of Bruckner's Eighth Symphony with the BBC Symphony Orchestra because of ill-health. Those who were disappointed then will have been delighted that he was able to take up the same programme at this season's Proms.

At the age of 80, Wand is in no hurry to score points off the music he conducts. His performance of the Eighth Symphony was patient and spacious, although not excessively slow judged against the history of Bruckner interpretation.

It was the music-making of a man who has spent his life working in the Austro-German musical tradition, who knows what is important and what is not. Listening at home on the radio, I found the resonant Albert Hall sound almost ideal.

Richard Fairman

Beethoven's "Choral" Symphony, his Ninth, is an indispensable Prom offering. On Sunday, Vladimir Ashkenazy conducted it, apparently to mark Britain's turn at the EC presidency, with the Berlin Radio Symphony, the London Symphony and Brighton Festival choruses, and four solo singers from EC countries. By way of a more specific salaam, Ashkenazy prefaced it with Elgar's *Falstaff*, a near-hermetically English piece. I thought its jauntily skewed rhythms never quite found a convincing pulse here, but Ashkenazy paid tender attention to its crepuscular details.

The "Choral", in his open-hearted treatment, sounded more cheerful than visionary. His tempi were brisk: the first movement went at a lithe allegro with little hint of "maestoso", the great adagio sang sweetly and steadily.

With sterling soloists in Margaret Price, Martine Mahé, Jan Blinkhof and Kurt Moll, as well as the intrepid choirs, the finale made the stirring effect that it usually does in the Albert Hall. Ashkenazy's tearaway ending, however, sounded like a last-minute bid to add glitter to an honest, good-natured performance. As a pianist, he can show his true mettle as a Beethoven interpreter better than on the podium.

David Murray

Elisabeth

Malcolm Rutherford

IT IS rare to attend a musical where practically every song, every scene-change is applauded and the audience stays behind for a good half an hour at the end to show its enthusiasm. So it was at last week's first night of *Elisabeth* at the Theater an der Wien in Vienna.

To be sure, there is something peculiarly Austrian about *Elisabeth*. She was the wife of Franz Joseph, the last Austrian Emperor. She came from the Wittelsbach family in Bavaria and perhaps had a touch of its legendary madness. She did not take easily to the conventions of court life and for much of the time lived apart from her husband. She was assassinated by an Italian anarchist in Geneva in 1898.

At one level, there is a touch of banality. Much of the trouble seems to have stemmed from her inability to get on with her mother-in-law. On the other, she was a genuinely romantic figure.

Johann Strauss died shortly after Elisabeth was murdered and it was said that an age of imperial splendour was sinking into twilight. Recently, there has been an attempt to restore the musical tradition in modern form. This consists of translating Sondheim and Lloyd Webber into German. Some of those who saw *Cats* in Vienna said that it was the best production of the show they have seen.

Elisabeth supplies the Austrian gloss and sugar. The lyrics and book are by Michael Kunze and the music by Sylvester Levay, both of whom pioneered the German-language work on Anglo-American musicals. Direction is by Harry Kupfer of Bayreuth fame, so there is no shortage of experience.

No shortage of staging techniques either. The speed and variety of some of the scene and costume changes are breathtaking: the depth and height of the stage are used to the full. The principal device is a kind of suspension bridge from which the figure of Death, who haunts Elisabeth from the start, periodically descends.

Beneath is a symbolic drawbridge which can be transformed into a gondola. Then suddenly the stage is cleared, as the peasants and workers begin to revolt against a decrepit empire.

One point in the story is notably modern. The decline of the royal house is hastened by the interest of the media. An old-fashioned news reel camera is shown looking into the Hofburg: a huge red arrow pinpoints a particular room just as it might in a tabloid photograph.

For the outsider, there is one fascinating insight. A late scene in *Elisabeth* shows the rise of Austrian nationalism with the fascists on the march. Although it is at least as well executed as any other piece of choreography, it throws the audience into an embarrassed silence. It is the only scene that is not applauded.

The musical influences come from all over the place, including Beethoven's ninth symphony. Dramatically, there is a Brechtian influence in the figure of Lucheni, Elisabeth's assassin. Dominant, however, is *The Phantom of the Opera*, from which the figure of Death seems to be partly drawn. Played by Uwe Kröger with flowing blond hair, this is a striking if melodramatic performance: rather like the whole show – corny, but effective.

As Elisabeth, Pia Douwes does not quite show what a strange figure the empress must have been. If you are in Vienna, you should see *Elisabeth*, for it goes with the place: I am less certain that it would translate successfully into English.

Theater an der Wien, Vienna 587 05 59

Sculpture

Britain's best kept secret hews to his own line

William Packer

PETER Randall-Page's public career as a sculptor began about a decade ago, and now, in his thirties, he is established as one of the most distinguished artists of a not unremarkable generation.

Yet in terms of the public vaunting of a reputation, his might almost appear to be a career hardly begun. This is in marked contradistinction to what certain of his peers and near contemporaries have enjoyed, including Kapoor, Deacon, Cragg or Nash, Wilding, Mach or Goldsworthy, to say nothing of such younger luminaries as Hurst – of the shark in formaldehyde – or Whiteread – of the cast baths and mattresses.

In international terms, his reputation does not exist. Where others have enjoyed British Council tours abroad and the concomitant international interest and support of dealers, critics and collectors, Randall-Page has stayed emphatically at home.

It is not as though he has not achieved a considerable success after his own fashion, being ever ready to participate in group schemes and exhibitions, and having a string of public commissions around the country to his credit. Yet he is represented by no major dealer; the Arts Council has barely noticed him; the Tate has yet to acquire any of his work. Indeed the commentator who lately described him, in the light of this current touring retrospective, as British art's best-kept secret, got it just about right.

Randall-Page stands, in short, somewhat apart from the system, and if the nature and practice of his work of themselves have contributed to such official indifference, he, for his part, deep in the Dorset countryside, seems content enough that it should be so. Indeed, it could hardly be otherwise, for we have only to consider the work as it is for a moment to recognise the difficulties it lays before current curatorial orthodoxy of expectation and prejudice.

For, sophisticated as it is in the formal vocabulary of modernism it employs, and up-to-the-minute in its evident ecological and environmental sympathies and preoccupations, it is work that is all too significantly old-fashioned.

Here is a young sculptor who is before all else a carver and a modeller. Everything is made directly under his own hand. He is no re-arranger of found material, no collagist or assembler, no scene-builder, installation-maker or window-dresser. His work is justified by no programme of material transformation or extraneous polemic, no idea or theory to be propounded before the event. It makes no comment on society, enters into no debate on the nature of art, makes no fashionable proposition on process or status.

Everything is made directly under his own hand. He is no re-arranger of found material, no assembler, no scene-builder, or window-dresser

It is about nothing at all but itself, in its material form and imagery. We may take it or leave it – and the poor curator is left with nothing to put in his catalogue but his own physical and imaginative response. We can see his difficulty.

Randall-Page carves not merely to demonstrate or exploit the character of his material, in the way that Kapoor hollows out his impressive lumps of rock, or Long sets them out across the floor, but to put it at the service of an image which, in its turn, repays the compliment.

He stands firmly in the earlier modernist tradition of direct carving and truth to material, direct heir to Brancusi, Gaudier and Modigliani, Epstein, Gill and Dobson, Barbara Hepworth and, most obviously of all, Henry Moore. The image is stated and carried through to a full resolution, yet always accepting and celebrating the determining, particular qualities of the stone, whether it is the hard smoothness of marble or Kilkenny limestone, or the softer roughness of Hopton stone.

The imagery itself is often obviously representational and, when abstract, more abstracted than abstract in the purest sense. The weighty simplicity and surface finish may owe much to Barbara Hepworth, but it is in this quality of particular suggestion, no matter how ambiguous, that he is always closer to Moore.

Like him, the reference is to natural and organic forms, but where Moore's fundamental imaginative resource was the human, most especially the female figure, Randall-Page looks more generally to nature. The reference is to seeds and pods, fruit and cones, shells and fossils, visceral and serpentine coils and extrusions, lips and pudenda.

The sexual connotations are inescapable, but more ambiguous than explicit and entirely unprurient, the implicit celebration one more of generalised fertility and growth than of any active sexuality. It is rather to the archaic fertility fetish of the Willendorf Venus that the nod is given, than to any Hellenistic or Renaissance image of perfection.

This oddly sacerdotal function of the work, overlaid with a sense of ritual or purpose, albeit ambiguous and unspoken, is its strongest character. We think at once of ancient standing-stones, of tombs and temples, and the legends that accrue to them, of the hearths and thresholds, altars and anvils of the gods, as it might be Wayland's Smithy or the Hele Stone.

It is by no mere opportunism that Randall-Page was a notable contributor to that admirable organisation, Common Ground's "New Milestones" project of a year or two ago, nor that more recent monumental carvings should carry such names as "Font", "Vessel", "New Touchstone".

He was a carver before ever he was a modeller, steeped in the craft, and is, again like Moore, never so assured and consummate an artist as when working directly on the stone. His carved objects, large and small alike, singly and groups, are quite extraordinary, visitations from another imaginative world that are yet deeply, unsuspectedly familiar – fruit of long-forgotten trees. And they are very beautiful.

Peter Randall-Page – Sculpture and Drawings 1980-1992: Arnolfini Gallery, Narrow Quay, and the Temple Church, Victoria Street, Bristol, until October 4. Organised by the Henry Moore Centre for the Study of Sculpture at Leeds City Art Gallery

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Muziektheater 20.00 Hartmut Haenchen conducts Stephen Pimlott's *Bregenz Festival* production of Samson et Dalila, with William Cochran and Catherine Keen. Runs till Sep 26, with next performances on Fri and Mon. Thurs, Sat and Sun: Dutch National Ballet mixed bill (6255 455). Thurs in *Concertgebouw:* Riccardo Chailly conducts the Royal Concertgebouw Orchestra (6718 345)

■ BESANÇON

Besançon's annual music festival is built around a series of evening concerts, with the renowned conductors' and composers' competitions (this year presided over by John Nelson and Luciano Berio) taking place during the day.

Tonight's Brahms concert at the Palais-des Sports is given by the Berlin Radio Symphony Orchestra, conducted by Vladimir Ashkenazy. Tomorrow, Gustav Rivinius gives a cello recital at 17.30 in the Chapelle de l'Hopital, followed by a piano recital by Lilya Zilberstein at 20.30 in the Grand Kursaal.

On Thurs, Jacques Mercier conducts the Orchestre National de l'Ile de France at the Eglise Ste Madeleine, with works by Britten, Berio and Fauré. Fri: 80th birthday concert for Nikita Magaloff, with contributions from Martha Argerich and Alicia de Larrocha. Sat: The Tallis Scholars. Sun: Britten's War Requiem.

The final of the conductors' competition is next Wed. Theodor Guschlbauer and the Strasbourg *Philharmonic Orchestra give the* final festival concert on Sep 18 (8180 1808)

■ HAMBURG

● Hamburg Music Festival: tonight at 20.00 in the Musikhalle, Kurt Masur conducts the Leipzig Gewandhaus Orchestra in the first symphonies of Beethoven and Mahler. Josef Protschka sings Lieder by Mendelssohn tonight at 20.00 in the Museum für Kunst und Gewerbe. This week's other events include a concert by the Dresden Kreuzchor on Fri at Friedrich-Ebert-Halle Harburg and a Hamburg State Philharmonic concert on Sun at the Musikhalle conducted by Gerd Albrecht (247747)

● Repertory performances at the *Staatsoper resume next Wed* with Simon Boccanegra, followed by Der Rosenkavalier on Sep 20. The first new production of the season is Die Walküre on Oct 25 (351721)

● Peter Zadek's production of The Blue Angel, starring Ute Lemper, opens at the Deutsches Schauspielhaus on Sat (248713). Thalia Theater opens its new season on Sep 19 (322666)

■ LONDON

PROM CONCERTS

This is the final week of the 1992 BBC Proms at the Royal Albert Hall. Tonight at 19.30, Paul Daniel conducts a semi-staged performance of the Opera North *production of Boris Godunov*, with John Tomlinson in the title role (sung in English).

Tomorrow: Claudio Abbado conducts the Vienna Philharmonic Orchestra in symphonies by Haydn and Mahler. Thurs: Boulez conducts the Vienna Philharmonic. Fri: Andrew Davis conducts Tippett's A Child of Our Time. Sat: Last Night of the Proms (071-823 9998)

OTHER CONCERTS

Tomorrow at the Queen Elizabeth Hall, Mark Wigglesworth conducts the Premiere Ensemble in works by Britten, Tippett and George Benjamin. Thurs and Fri in Royal Festival Hall: Alfred Brendel plays Mozart and Beethoven with the Orpheus Chamber Orchestra, which gives a third concert on Sun with soprano soloist Cynthia Haymon.

Next week's guests on the South Bank include the Academy of St Martin in the Fields, James Galway, Andras Schiff and Maurizio Pollini (071-928 8800)

OPERA

● The Royal Opera's new season opens on Sat with a revival of Tosca starring Luciano Pavarotti as Cavaradossi. The young American soprano Elizabeth Holleque makes her British debut in the title role. There will be ten performances in all, of which Pavarotti is scheduled to sing the first five. Teresa Berganza gives a recital next Tues, followed by Hermann Prey on Sep 23. Anne Sofie von Otter stars in I Capuleti e I Montecchi, opening on Sep 22 (071-240 1066).

● The ENO repertory this week consists of Ariadne aud Naxos (tomorrow and Fri) and Rigoletto (Thurs and Sat). Nicholas Hytner's *new production of* La forza del destino opens next Wed (071-836 3161).

● Opera Factory's production of Harrison Birtwistle's Yan Tan Tethera can be seen at Queen Elizabeth Hall tonight, Fri and Sat (071-928 8800)

● British Youth Opera is in residence at Sadler's Wells this week, with Carmen tonight, Thurs and Sat, and Cosi fan tutte tomorrow and Fri. Glyndebourne Touring Opera arrives on Sep 24 for a month of performances (071-278 8916)

■ MUNICH

Due to the closure of the National Theater for repairs for most of this season, the Bavarian State Opera will give a limited programme of performances in Munich's other theatres. The season opens on Sep 17 with the first of four performances of Le nozze di Figaro in the Cuvilliés-Theater, conducted by Wolfgang Sawallisch.

Adam Fischer conducts five concert performances of Don Carlo, beginning on Sep 18 at Gasteig. Hildegard Behrens is soloist in a series of opera concerts at the Prinzregententheater starting on Sep 19. The programme in October includes concert *performances of Carmen,* Don Giovanni and Otello (221316)

● Theatre and concert tickets are available at Konzertkasse Beck on the fourth floor of the Beck department store at Marienplatz 11

■ NEW YORK

JAZZ

Blue Note An outfit belonging to flautist Herbie Mann starts tonight at 21.00, daily till Sun. Next week: the Golden Men of Jazz, including Harry Sweets Edison, James Moody, Grady Tate and Clark Terry. Dining (131 West 3rd St, 475 8592)

Algonquin Hotel Susannah McCorkle, a pop-jazz singer who has been known to root around in the archives for lost or forgotten songs, is in residence *this month. Music from 21.30* Tues to Sat. Dining (59 West 44th St, 840 6800)

Ballroom Caetono Yeloso is in residence this week. Music from 21.00, with adjoining restaurant/tapas bar (253 West 28th St, 244 3005)

■ WASHINGTON

● Mstislav Rostropovich conducts the National Symphony Orchestra on Thurs, Fri, Sat and next Tues. The programme includes Dvořák's Eighth Symphony and the world premiere of a new work by Augusta Read Thomas entitled Airs and Angels (Kennedy Center Concert Hall, 467 4600)

● Andrew Lloyd Webber's musical Aspects of Love runs till Sep 27 at the Kennedy Center Opera House (467 4600). Stephen Sondheim's Assassins runs till Oct 3 at Signature Theater (703-685 4331)

● This week's programme at Blues Alley Jazz Supperclub begins with drummer Billy Cobham (tonight), and continues with Paul McCandless and Lyle Mays (tomorrow and Thurs), Gary Burton and Eddie Daniels (Fri) and saxophonist Christopher Hollyday (Sat). Dinner is served from 18.00. Showtimes at 20.00 and 22.00 (1073 Wisconsin Ave, in the alley, 337 4141)

● BB King, Dr John, Buddy Guy and the Fabulous Thunderbirds give tonight's concert at Wolf Trap. Fri and Sat: *Alexandrov Red Army Chorus* and Dance Ensemble (703-218 6500)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN

2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel

0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV

2130-2200 (Tues) Media Europe – what's new in European media business

2130-2200 (Wed) FT Business Weekly – global business report with James Bellini

0830-0900 (Thurs) Media Europe

2130-2200 (Thurs) FT Eastern Europe Report

0830-0900 (Fri) FT Business Weekly

Sky News

0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN

0900-0930 World Business This Week - a joint FT/CNN production

1900-1930 World Business This Week

Super Channel

1930-2000 FT Eastern Europe Report

SUNDAY

CNN

1030-1100, 1800-1830 World Business This Week

Super Channel

1800-1830 FT Business Weekly

Sky News

1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Tuesday September 8 1992

The challenge to the east

THE EUROPEAN Community's introverted agonising over the Maastricht treaty is having a wholly unwelcome side effect. It is drawing western European governments' attention away from an issue which will have a significant bearing on their own political and economic future: relations with the countries to their east. It is preventing them from elaborating a coherent strategy to encourage prosperity and consolidate democracy in central Europe.

As Mr John Major reminded his audience at yesterday's UK presidency conference in London, events outside the present borders of the EC over the next 10 years will be just as important to western Europe as what happens within them. Mr Jacques Attali, president of the European Bank for Reconstruction and Development, put it more graphically. Without real hope of economic improvement in eastern Europe and the former Soviet Union, he said, scores of ethnic and territorial disputes could proliferate in such a way as to make the Yugoslav conflict seem like a rehearsal. The consequence would be a political, social and economic upheaval from which western Europe could scarcely remain immune.

Grudging concessions

Post-communist reconstruction in Europe presents an enormous challenge, but it is one to which the EC has not even begun to rise. To a lengthening queue of would-be eastern adherents, the Community has offered the distant prospect of membership and paltry economic aid. To the three countries that are closest by geography and level of development – Poland, Czechoslovakia and Hungary – it has given association agreements that provide somewhat greater tangible benefits. But even in these cases, the concessions are limited and grudging, with exports to the Community of goods such as chemicals, textiles, coal, steel and farm produce subject to severe restrictions.

Far from a flowering of free trade between eastern and western Europe, EC governments – such as that of Mr Attali's native France – are allowing protectionist instincts to prevail. They need to be reminded forcefully that trade is the east's only viable medium-term means of self-improvement.

That is why the proposals which Mr Attali put to yesterday's conference – for a rapid renegotiation of the Community's existing association agreements, and the launch, preferably at the Edinburgh summit this winter, of multilateral free-trade negotiations in Europe – deserve a hearing.

Natural markets

His implication is that it is not good enough for EC governments simply to respond to the clamour for assistance from eastern European countries by promising eventually to admit them as members or offering half-hearted economic agreements. Negotiations on enlarging the EC will be long and tortuous and, in any case, the countries of the European Free Trade Association are first in line. Even given the political will, no former communist country has the remotest prospect of joining the Community within the next 10 years. More to the point, the eastern European states will only get to that stage by being able to export freely to their natural market, the EC.

How best to free intra-European trade? And where should the line be drawn? Mr Attali's proposal – for negotiations to create a North American-style free trade area involving 40 countries – sounds over-ambitious, not least because it would stretch to states scarcely identifiable as European. Inevitably, the EC will have to focus its initial efforts closer to home – probably on the countries of central and eastern Europe proper, with which the west's economies have historic links and for which the west has a heavy political responsibility, rather than the republics of the former Soviet Union. Ideally, it would elaborate a model free-trade agreement on favourable but not exclusive terms with Poland, Czechoslovakia and Hungary, and suggest that other countries join when they are ready.

As Mr Major said yesterday, the EC is based on a simple idea: that by binding the nations of Europe in a common economic framework, war would be rendered impossible. It is time that the Community applied this logic to the nations on its doorstep.

Doubts about the hard ERM

YESTERDAY, Mr John Major insisted that the ERM would continue to be successful, "whatever happens to the Maastricht treaty". In this the prime minister echoed the European Community's finance ministers at their weekend meeting in Bath. But they all protest too much.

How can the prime minister be so confident of the future of the ERM? "Changes in economic and monetary arrangements must," he claims, "reflect real changes in economic behaviour in the marketplace and must work with the grain of the market and not against it." The ERM meets this criterion, he asserts.

This is a noteworthy proposition. Compare, for example, his predecessor's view that "you can't buck the markets". Consider also the notion that official foreign exchange speculation, to the tune of at least £7.3bn this financial year alone, is in "the grain of the market".

The proposition is more than noteworthy. The economic merit of ERM, by comparison with Emu, is only its flexibility. As a fixed exchange rate system the ERM is half-baked, because of the price it imposes for a flexibility governments say they do not want.

Ministers insist they will not realign, but only one thing is believed for certain: that the D-Mark will never be realigned downwards. D-Mark interest rates are the floor, therefore, with all other currencies paying an interest rate premium, its size depending on the credibility of the commitment not to realign. In some cases – Italy's today, for example – that premium is so large that it damages credibility itself. In Emu, by contrast, there would be no premia, because only then could the pre-commitment to fixed parities be credible.

Half-baked Emu

Nor is this all. German policy oriented towards German conditions sets the floor in the ERM. This is partly because of the ERM's rules on exchange rate intervention, partly because of Germany's muscle in the EC and partly because of German sensitivity over inflation.

The Bath meeting merely underlined the point. The Bundesbank was begged to promise not to raise interest rates. But its representatives cannot make such a promise. EC ministers reaffirmed their commitment to fixed exchange rates, but Mr Helmut Schlesinger, the Bundesbank's president, declined to add full support. Mr Theo Waigel, the German finance minister, refused to accept criticism of German fiscal policy.

The hard ERM is, in short, a half-baked Emu under German management. It is also unlikely to endure. As the gold standard showed, fixed exchange rates can be sustained among open economies without exchange rate controls. But a system like the ERM, with theoretical flexibility, can never enjoy the same credibility. Exchange rates will be under pressure again and again. Sooner or later one is bound to give. With it will go the credibility of the hard version of the ERM.

Imperfectly credible

Ministers must know this well enough. But they cannot say so, because they are caught in the logic of an imperfectly credible fixed exchange rate system. The more doubtful the commitment, the more it must be reasserted. But the costlier the commitment, the more it must be doubted. Interest rates of 15 per cent in Italy, borrowings of Ecu10bn in the UK are not only ways of demonstrating commitment. They are also signs of how deep doubts already are.

The hard ERM is not a permanent solution to Europe's monetary problem. Without early Emu, it will have to be redesigned. Those who wish to stay in a fixed relationship with the D-Mark, will need to tie themselves more closely. For them abolition of the fluctuation bands would be the obvious route. Those who feel that the exchange rate flexibility of an adjustable peg system is useful need to consider how flexibility might be used without destroying credibility. Part of the solution would be changes in domestic policy arrangements, including an independent central bank.

Ministers have to say that exchange rates will never be realigned. But they cannot say it credibly, because markets know they have to say it. Mere assertion, even along with high interest rates and sustained intervention, will not preserve the hard ERM in the long run.

George Bush and Bill Clinton have fielded a mix of seasoned veterans and hungry newcomers as advisers, says **Jurek Martin**

Dream teams in the fall classic

As life sometimes imitates art, so politics can imitate baseball. Thus it must be recorded that last Monday, Jose Canseco, the heavy hitter of the Oakland Athletics, was summarily traded to the Texas Rangers for a less renowned slugger and a pair of pitchers. Three days earlier David Cone, the New York Mets' star, was abruptly shipped to the Toronto Blue Jays for two players of whom only their parents had ever heard. And Jeff Reardon, who has saved more games than any other pitcher, was moved from the Boston Red Sox to the Atlanta Braves.

American politics, too, has seen a transfer of serious proportions – with big Jim Baker, the slugging secretary of state, and the rest of his departmental infield going to the team of George Bush, the former Yale first baseman, who promptly sent Sam Skinner, Clayton Yeutter and a host of others to minor league oblivion.

The new Bush line-up was ready for action in time for the traditional opening of the "real" election season, which begins after Labor Day (yesterday), two months before the country finally votes. But perhaps it took the field a little late. Although the latest opinion polls vary widely, all show Clinton holding on to his lead – 46 per cent against 40 per cent for Bush in a Time magazine survey and 49 per cent versus 40 per cent in a new NBC poll.

The Baker deal was long-rumoured. But politics, like baseball, can also suddenly propel to prominence those known only to the true fan. James Carville, George Stephanopoulos, Mickey Kantor, Betsey Wright, Mandy Grunwald are not exactly household names. Neither are Rich Bond, Mary Matalin, Bob Teeter and Charlie Black. However, if Bill Clinton becomes the next president, a lot of credit will go to the first five, and a few more besides, and if Bush wins another term he will owe much to the second four, while reserving the best champagne for Mr Baker.

Power players: Clinton's confidants include (above, from left): Robert Reich, Bob Hormats and Sam Nunn. In the president's line-up (below, from left): Bob Teeter, Margaret Tutwiler and Bob Zoellick

Good teams can make a difference in elections, though they are not infallible in their judgments, as two seasoned professionals, Ed Rollins and Hamilton Jordan, found when they cast their lots with Ross Perot. And they cannot always pull off the same trick twice, as Mr Jordan and the Carter team discovered in 1980. Still, until Mr Baker moved over, there was no question that the hungrier Clinton team, toughened by a bitter primary season, was running circles around Mr Bush's stodgy lot, which sent him on disastrous road trips to Tokyo, Panama and Munich. As Mr Clinton's lead over the president assumed serious proportions, some began to be viewed not merely as campaign operatives but as leading lights in the next Democratic administration.

This is more than premature and may be misleading. In 1976, Jimmy Carter reached out beyond the tight Georgian ship that had helped him win the presidency when filling senior foreign and economic policy positions in his administration. The Clinton campaign, still based in Little Rock, is less stuffed with Arkansas razorbacks than Mr Carter's was with Georgia bulldogs, but it, too, will get its share of the plum slots in the White House apparatus. There also remains a residue of a Democratic government-in-waiting qualified to serve and, after 20 of the past 24 years in the wilderness, rallying behind the Clinton cause.

His inner circle, together for most of the year, seems tightly knit but is subject to innumerable sub-divisions. It has its pure political gunslingers, such as James Carville – the "ragin' Cajun" who was architect of Harris Wofford's upset victory in last year's Pennsylvanian Senate by-election. Another is the deceptively youthful George Stephanopoulos, on the Dukakis communications staff four years ago and now, in practice, the chief Clinton spokesman.

The Clinton camp also has its professional experts (Mandy Grunwald, the hard-nosed media consultant who persuaded Mr Clinton to play his saxophone on late-night television); old hands from the Arkansas state house (Betsey Wright, brought back to handle the "bimbo" factor and now doing much more); and veteran Democratic consultants (Mickey Kantor, who has advised everyone from George McGovern to Walter Mondale, including, in 1976, Jerry Brown). The party itself has a national chairman, Ron Brown, with a feline diplomatic touch and considerable organisational skills.

The great characteristic of this inner circle so far has been its quick reactions. Mr Carville considers passivity a crime, while Mr Stephanopoulos learned to his cost what sitting back did to the Dukakis campaign. It has done its homework on the Bush record and every charge gets a counter-attack. A televised exchange of views last week on economic policy between Mr Stephanopoulos and Charles Black showed both camps at their best, with both drawing on statistics published only hours before.

Clinton's team has also been careful not to impinge on Mr Bush's prerogatives as president, especially in foreign affairs. But this artful deference is currently being severely tested by the president's ability to hog the domestic headlines and dispense largesse, in an ostensibly non-partisan manner, in the aftermath of Hurricane Andrew.

The Clinton team also has its Bill and Hillary factions. In the first are those who, along with Mr Clinton himself, are mostly interested in how government can solve practical problems; in the second are those who, along with the candidate's wife, are more interested – to paraphrase Tom Wolfe's The Right Stuff – in testing the outer envelope of ideas. A measure of tension between the two camps has been detectable. Mr Clinton has his academic networks, some input from the media, plus a sizeable leavening from the conspicuously moderate Democratic Leadership Council. Many of Mrs Clinton's friends, such as Mr Kantor and Susan Thomases, nominally her scheduling director, are from those areas of social reform for which Hillary has long been an advocate.

At the next remove from the inner circle are the policy advisers whose roles have grown as Mr Clinton has become a national candidate. Here the names are more recognisable, especially in the areas of foreign and economic policy. Tony Lake (one of the first outsiders to join the effort) and Richard Holbrooke, both ex-Carter state department, Michael Mandelbaum and Peter Tarnoff from the Council on Foreign Relations, and Warren Christopher, deputy to Carter's secretary of state Cyrus Vance (now UN special envoy to the former Yugoslavia), stand out in the foreign policy area. For what it is worth, the popular betting is that either Mr Christopher or Congressman Lee Hamilton, chairman of the House foreign affairs committee, will end up as secretary of state, with Mr Lake a likely national security adviser.

The economic policy group has some heavy hitters, though none seems particularly close to the candidate. They include investment bankers such as Robert Altman, Felix Rohatyn, and Bob Rubin and Bob Hormats of Goldman Sachs, Peter Peterson, commerce secretary in the Nixon administration, as well as academics and authors such as Robert Reich and Lawrence Summers from Harvard and Rudiger Dornbusch from MIT. One of them may emerge as secretary of the Treasury or eventually as chairman of the Federal Reserve.

Perhaps more interesting are the ideas emanating from the likes of Rob Shapiro and Elaine Sciulla Kamarck of the Progressive Policy Institute, research arm of the Democratic Leadership Council, and Ira Magaziner, a Rhode Island business consultant with some blue-chip clients. Their practical and eclectic arguments on the development of human capital in the economy seem particularly close to Mr Clinton's own philosophies.

At a further remove, and bringing more specific expertise, are Tim Wirth, the retiring senator from Colorado and authority on the environment, Senator Sam Nunn and Congressman Les Aspin, both candidates for defence secretary in a Clinton administration. Jim Jones, the former congressman and now chairman of the American Stock Exchange, and another congressman, Dave McCurdy from Oklahoma, with an expertise on international security issues.

Bush's team gets shorter shrift because Mr Baker's assumption of control reduces the scope of many of its previous leaders. Indeed, until he came over, it was not always easy to work out who was running the campaign. This was in sharp contrast to 1988, when Mr Baker fitted in seamlessly with the late Lee Atwater, the political director who played it rougher than anyone.

That partnership worked because Mr Baker was the strategist and Mr Atwater the executor with a musician's feel for what the country wanted to hear. It is not easy to see who will be this year's necessary eyes and ears of Mr Bush and Mr Baker, both patricians to their marrow. Bob Teeter is an eminent pollster and, together with Charles Black, he brings a wealth of experience and knowledge to the campaign, but both are more intimates of the president than of the man in the street. Atwater acolytes, such as Mary Matalin, the abrasive political director, and Torie Clarke, the campaign's witty spokeswoman, do not have his clout, though they may be just as hard to muzzle.

It is a fair bet that less will be heard in the coming months from Rich Bond, Ron Brown's opposite number. Mr Bond took over the Republican party chairmanship after working for Congressman Bill Green of New York, the quintessential moderate Republican, which sometimes made his fervent support of the conservative agenda look a little odd. But at least he can claim he made the convention run roughly on the right time. Vice-president Dan Quayle will be equally confined to partisan corridors, inveighing only against Hollywood liberals, the media and other targets of the right.

In the end Mr Baker may decide he is better off with his own instincts and the advice of his own kitchen cabinet – Margaret Tutwiler, the messenger, Bob Zoellick and Dennis Ross, the ideas men, and Liz Mullins, the politician. Certainly the maestro will have the principal role in preparing Mr Bush for his critical debates with Mr Clinton later this month and next. He will hope here to emulate his performance in 1988, when he outmanoeuvred the Dukakis team in all the negotiations over format.

The teams can pump and prime the candidates, but ultimately George Bush and Bill Clinton are on their own, each as fallible as the other. Baseball knows this unpredictability; immediately after the great transfers, Oakland, minus Canesco, could hardly score a run against Baltimore and David Cone was thrashed in his Toronto debut. Bill Clinton played softball last week – and his team won – but that hardly counts.

Joe Rogaly

Mr Majtricht's logic

Once again we must give the lady credit. The voice was that of Mr John Major but the essence of the speech the British prime minister delivered in London yesterday could have been enunciated by Lady Thatcher. He spoke as a European leader, the current president of the EC. Seen through the eyes of his predecessor's acolytes, he has become Mr John Majtricht, the Conservative who would sell out to the centralisers. Yet they should look again. Europe is coming round to *her* point of view.

Take, as a comparative text, the celebrated speech she made at Bruges in September 1988. She spoke of the community as a "family of nations, understanding each other better, appreciating each other more, doing more together but relishing our national identity no less than our common European endeavour". Yesterday Mr Majtricht acknowledged that many European citizens fear for their national self-identity, and wonder whether it will be lost. "You could sense that debate in Denmark, . . . in France, . . . in the new German Länder, . . . in the UK," he said. "The Community must show that these fears are phantoms, . . . it must recognise . . . national identity and national pride, not appear to ride roughshod over them."

The rhythm persists. In 1988 *she* said: "Our future must lie in willing and active co-operation between independent sovereign governments, each answerable to their national parliaments." Yesterday *he* said: "European democracy begins with the traditional institutions that people understand and feel close to; these are the parliaments, assemblies, folketings, bundestags of each of their own countries." *She* said that Europe must "continue to maintain a sure defence through Nato". *He* said that Maastricht "maintains the primacy of Nato while building up the European role within Nato". He wishes to maintain the American presence in Europe; so did she. She said, before the collapse of the Soviet empire, "we shall always look on Warsaw, Prague and Budapest as great European cities"; he reaffirmed that "all of us have decided that it is essential to embrace the democracies to the east".

Historians will decide how many of Lady Thatcher's prophetic phrases were hers and how many must be ascribed to her foreign affairs Rasputin, Sir Charles Powell. What we can now see – but curiously, she now cannot – is that the idea of a united states of Europe is at worst a distant nightmare. The Community is a congeries of sovereign states, perpetually concluding new treaties that, so long as they endure, are binding upon all members.

The ability to utter sincere phrases with a forked tongue is the prime minister's unique contribution

The political half of European union, as envisaged in the Maastricht treaty, would be an extension of this concept. It would not be an irrevocable step towards the supranational monolith still irrationally feared by the Conservative Europhobes. The economic half of the treaty is something else again. If it were to be cemented by a single currency and a single bank, national sovereignties would indeed be diminished. If you fear that, take it easy. The cries of those who say that such an outcome is inevitable are beginning to sound less convincing with every creak and groan of the exchange rate mechanism.

Mr Major is aware of this, but does not let himself get carried away. He must take credit for an important rule of European behaviour that it was never in her nature to accept. It is: try to sound like a team player, even when you are not. He was thus able to attract praise as a good European yesterday while enunciating the principles of a *Europe des patries*.

Indeed, the ability to utter sincere phrases with a forked tongue is the prime minister's unique contribution to contemporary political debate. For example, yesterday he rejected the accusation that Britain wants no more than a large free-trade area. Then he devoted half a page of close-typed text to the merits of the case for Europe as a large free-trade area, "binding together the nations of Europe in a common economic framework". Again, he spoke of working "with the grain of the market and not against it", and then, straight-faced, went on to assert that "this is of course what the ERM does, and will continue successfully to do, whatever happens to the Maastricht treaty". With logic like that, our prime minister could sell raincoats in the Sahara.

The underlying purpose of it all is, naturally, to cover the government's tail. If the French vote No, yesterday's speech will have prepared the way to save face. If they vote Yes, the same speech will, in retrospect, sound like a brave and successful stand on principle. The identical insurance policy is being taken out against either a solution to the Danish No vote, or no solution to it. That is the difference between Lady Thatcher and her successor. She went against the grain of contemporary opinion. He smoothes it over. Funny. She was eaten up by the European debate. He, so far, has survived.

A welcome mat for the rental market

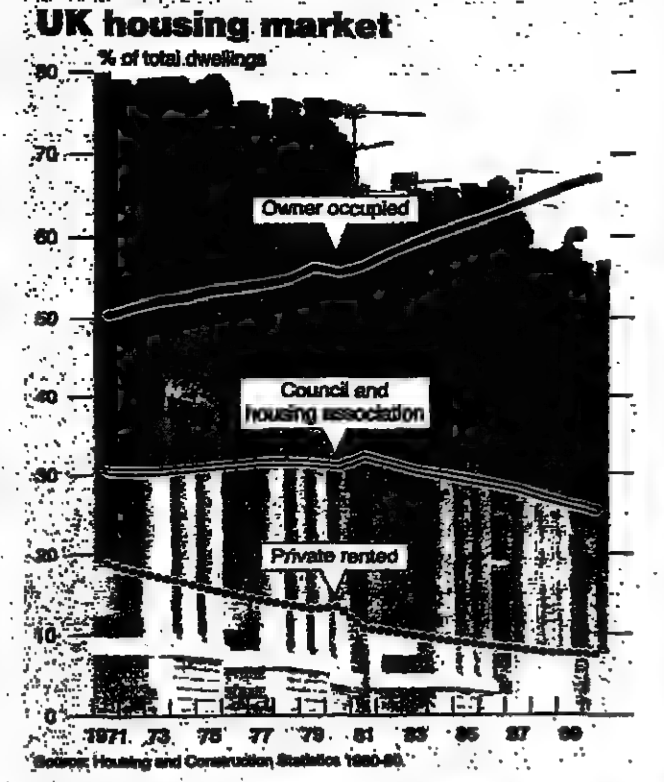
The British government is rethinking the merits of home ownership as property prices continue to fall, says John Willman

After a decade in which increasing home ownership has been the *flagship of UK housing policy*, the government looks set for a significant switch in emphasis. Ministers have let it be known that they are contemplating incentives to revive the privately rented sector, with measures to encourage investment in rented property.

The signals come from the Department of the Environment, where Sir George Young, the housing minister, is keen to reinvigorate private renting. The Treasury, which wants to improve the supply of housing without restarting an inflationary rise in house prices, is also said to be "very receptive" to new ideas about renting.

Stimulating the UK's privately rented sector would be no easy matter, however, given its apparently inexorable decline. From providing about 90 per cent of housing in 1900, the privately rented sector had shrunk to below 7.5 per cent by 1990.

UK housing market



Source: Housing and Construction Statistics 1980-90

One factor behind the decline was the regulatory burden of rent controls and security of tenure for tenants. Another was the growth in owner-occupation, fuelled by tax breaks such as mortgage interest tax relief and exemption from capital gains tax. Mrs Thatcher's drive to sell council houses to their tenants, and her enthusiasm for home ownership, gave new momentum to the growth in owner-occupation throughout the 1980s.

Increasingly, however, doubts have been raised about the emphasis placed on ever-rising levels of home ownership. Housing experts point out that the level in the UK – now approaching 70 per cent – is much higher than in most other European countries.

This is matched by an abnormally small privately rented sector. Throughout most of Europe, up to 20 per cent of housing is privately rented, with the figure as high as 45 per cent in western Germany. In the US and Canada, it is more than 30 per cent.

Economists argue that this imbalance between different types of tenure distorts the working of the British economy.

"It is economically efficient for young people to rent housing before they are settled, so that they can move easily," says Alan Evans, professor of environmental economics at Reading University. "Owner-occupation, almost as much as local authority housing, discourages mobility and slows down the adjustment and growth of the economy."

Two serious attempts were made towards the end of the last decade to stimulate private renting. The first was the 1988 *Housing Act*: for new lettings, this restricted tenants' rights and freed up rentals. The other was the extension of the Business Expansion Scheme (BES) to provide tax breaks for investors in housing for rent.

The BES incentives had an immediate effect, with a plethora of schemes raising £800m to create more than 15,000 homes according to the Joseph Rowntree Foundation, the social affairs think tank. However, the tax breaks last only five years, at the end of which the homes are usually sold.

Increasingly, doubts have been raised about the emphasis placed on ever-rising levels of home ownership

The boost to private renting, therefore, is only temporary – one reason why the government has now announced that the BES is to end next year.

The 1988 Housing Act had a less immediate effect, partly because many potential landlords feared that a future Labour government might reimpose rent controls and restore tenants' security of tenure (although Labour denied that it would take any retrospective action).

But there is some evidence that the deregulation of private tenancies has begun to reverse the decline in the level of private renting. Last year, for the first time in a decade, there was no decrease in the proportion of privately rented homes, and managing agents report record interest among potential landlords and tenants.

Sir George is reluctant to claim success at this early stage. He concedes that the slump in the housing market has led many who cannot sell their homes to rent them out. Falling house prices have also increased demand, as many first-time buyers decide to rent rather than risk buying and losing their deposit.

The pause in the decline comes at a time when Sir George has been pressing forward with initiatives to stimulate the private rental sector. These include the rent-a-room scheme in this year's Finance Act, which allows householders who let out rooms in their homes to earn rent of up to £3,250 a year tax-free. He is also trying to encourage shop-owners to rent out the flats over their premises.

Sir George is particularly bullish about a scheme to use housing associations to tempt financial institutions back into rented property. He believes that the institutions are currently reluctant to invest in housing for rent because they do not want to manage the lettings. Housing associations, with their generally good reputation as landlords, could act as managing agents, "taking the hassle out renting", as Sir George puts it.

Critics feel that Sir George's enthusiasm for such schemes avoids the real issue behind the absence of investment in rented housing: it is a poor investment proposition.

"*Without the large subsidy* currently provided by the BES, it just doesn't stack up," says Mr Robert Lo of Johnson Fry, the most prolific promoter of BES property schemes.

One company which has tried to make private renting stack up is Quality Street, set up in 1987 with finance from Nationwide building society. Mr Paul Mugnaioni, chairman – and formerly housing director for Glasgow – hoped to demonstrate that it was possible to be a "blue-chip" private landlord, offering high-quality property for rent with first-class management service.

Five years on, with 2,000 homes built and another 1,000 under management, Mr Mugnaioni believes that the company has achieved the spirit of those objectives. But he has been able to build far fewer homes than hoped because the returns are not high enough to attract investors.

"There's a shortfall of about 30 per cent between the returns we can earn and what the investor wants," he says. "We can't provide good accommodation at rents below £100 a week without the sort of subsidy which owner-occupiers enjoy."

Mr Mugnaioni suggests a package of tax measures to bridge the gap: sheltering investment in rented property from corporation tax; exempting it from capital gains tax; and lifting the burden of VAT.

A similar approach is advocated by Mr Neville Lee of the Association of Residential Letting Agents. He wants tax allowances for the capital and conversion costs of residential property and a two-year tax holiday on rent from offices converted into homes.

To pay for such tax breaks, Mr Mugnaioni and Mr Lee both advocate redirecting some of the £6bn spent on mortgage interest tax relief into encouraging private rentals. But while there is plenty of money going into subsidising home-owners, now is not a good time to raid the owner-occupier piggy bank to encourage private rentals. Removing mortgage interest tax relief would almost certainly further depress house prices, and be politically unsaleable given that up to 1m owners have negative equity in their homes.

Yet if the economists are right about the negative effects of the weakness of the privately rented sector, some way needs to be found of shifting the subsidy from owner-occupiers to private tenants. At the very least, a replacement is needed for the BES, which offers incentives to those who invest long-term in property for rent.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Not a good attitude on education

From Mrs Katerina Porter.

Sir, What sort of world does your leader writer live in, or want to live in, if he cannot *contemplate* the relatively small redistribution of wealth involved in the state property funding the higher education system ("College for all", September 1)?

It reminds me of what the late A H Broderick wrote in the 1940s: when universal free education was introduced in France in the 19th century it was because it was the entitlement of every citizen; when it was introduced in England it was because employers no longer wanted a wholly illiterate workforce.

This attitude has not done us much good over the years.

Katerina Porter,
17 Redcliffe Road,
London SW10 9NP

Gap between road and rail freight costs likely to remain

From Mr David Sawers.

Sir, The article, "How freight hopes have finally been derailed" (September 1), and the subsequent letter from Dr Schimmelpfennig (*September* 3) showed some misunderstanding of the system of charging commercial vehicles for the use of roads in Britain.

The taxation of goods vehicles combines an annual excise licence fee and duty on fuel. Currently, the excise duty on commercial vehicles of more than 3.5 tons yields £500m a year and the fuel duty yields £1,730m. A lorry of 15 to 17 tons pays excise duty of £1,280 a year and an average fuel duty of £3,400. The heaviest lorries of 36 to 38 tons pay £3,100 in excise duty and an average fuel duty of £10,874.

About 30 per cent of the total costs of the road system are attributed to goods vehicles, including nearly all structural maintenance. The taxes they pay exceed these costs by about 20 per cent. Commercial vehicles do not therefore pay a negligible tax for access to the roads, and they pay a substantial tax through fuel duty.

There are obvious limitations in this charging system: the estimates of costs attributable to different classes of road users are imprecise, charges are not directly based on the actual weight of the vehicle and the distance it travels, and there is no charge for environmental effects or congestion.

Basing taxation on records of vehicle weight and mileage provided by vehicle-mounted sensors would be the most practicable improvement; congestion charges would result from any installation of electronic road pricing systems. Environmental taxation – unless arbitrary – depends upon valuing the effects of such factors as noise, which has not proved easy. And such taxation should be applied to trains as well as lorries.

It is unlikely that any justifiable changes to taxation of road transport would eliminate the gap between the costs of road and rail haulage. They could only make rail freight marginally more competitive.

Mr David Sawers,
"Crosby",
10 Seaview Avenue,
Angmering-on-Sea,
Littlehampton, West Sussex

Appropriate index

From Mr B R Parks.

Sir, I was interested to read of the FT participation in the new indices ("New UK share indices to join existing benchmarks", September 2). They are bound to be known as the Footsie 250 and 350. It therefore seems appropriate that the index formed from the difference between the FT-All Share and the Footsie 350 (suitably weighted, of course!) will be called the Footrest. Let's hope it's not too long before recovery allows us to use it.

B R Parks,
31 Earlswood Road,
Dorridge, Solihull

Which pound gives the fullest tank?

From Mr D Archibald Dougles.

Sir, Driving through Belgium at the weekend, reflecting on the pros and cos of monetary union, I stopped to fill up the tank only to discover that one *livre anglaise* would buy me 52 Belgian francs but that my *livre ecossaise* was worth only 50 francs. Is this what Mr Delors means by *l'Europe des régions*? The company making this offer? British (sic) Petroleum.

D Archibald Dougles,
managing director,
Amsterdam Institute of Finance,
Herengracht 205,
Amsterdam

Efficacy of EC proposals to open up banana markets challenged

From Mr Nicholas P G Saphir.

Sir, The letter from Oxfam and Christian Aid (September 1) and your articles on the subject of the proposed EC banana regime (Commodities and Agriculture: August 28 and 20), raise important issues. However, they fail to address the key point of how to protect and transform the economies of uneconomic banana producing countries, without sacrificing the interests of the consumer.

As the member of the Fruit Importers Association deputed to represent its views on this subject, I would point out that the question is not whether the EC should sacrifice the African, Caribbean and Pacific, and Community producing countries for Latin American bananas. We accept the need to honour legal and moral commitments to historic suppliers, but strongly challenge the efficacy of the current proposal in being able to deliver its other stated objective of gradually opening the market to free trade for the benefit of consumers.

The current Commission proposal appears to seek a 10-year transition to free trade, but wrongly proposes that arrangements based on quota with some tariff support will provide the best opportunity for success. Transitional arrangements *dependent on quota* have never been successful in other produce areas. Import licence, which marches hand in hand with quota, enables holders to maximise profit at the expense of consumers, producers and disadvantaged competitors.

UK banana experience demonstrates the undesirable results of quota-constrained imports organised through a very small number of advantaged traders. Artificially high profits for the owners of licence distort trade in related products, and a cosy lack of competitive activity penalises consumers while failing to encourage the very transition that is sought.

The apparently conflicting objectives of opening up the market to the benefit of *consumers, while defending* the economies of traditional suppliers, can best be achieved by a transition based on tariffication with income support and structural change being funded by the tariffs. This would have the added benefit of being acceptable to the principles of the General Agreement on Tariffs and Trade.

If, finally, it is still proposed to introduce a quota-based system, it is vital that consumers are not disadvantaged by quota volumes that fail to recognise current consumption and consumption trends.

It would also be of considerable benefit to consumers and the trade if the necessary import licensing arrangements did not extend the current UK oligopoly, caused by a "Catch 22" licensing system that *effectively prevents distributors* from importing bananas, unless they have a track record of importing bananas.

Nicholas P G Saphir,
chairman,
Hunter Saphir,
Northfleet,
Gravesend, Kent

Look to oneself for explanation of losses

From Mr C V Bishop.

Sir, Recent media criticism of the accounting profession may be valid, but it is surely misdirected. On the basis that accounting standards embrace all, from sole traders to the largest quoted companies, it is hardly surprising that standards are flexible.

What is surprising is how many times lenders and investors, having lost money in a company, try to mask their carelessness and inability by blaming the accountancy profession. It is improbable that Terry Smith (author of "Accounting for Growth") is alone in being analytically capable, so how is it that there is always a much larger body of investors who have not become involved with these offending companies? The answer cannot exclusively be good luck; rather, that some of these non-investors work harder. Consequently, as they are more aware, they avoid these companies, simply through a more careful and informed scrutiny of the same financial information which is available to all, and which is based on the same accounting standards.

My suggestion is not that the accountancy profession, or more precisely, the Accounting Standards Board, should go uncriticised, but that those who cry sour grapes should also look to themselves rather than to others for a reasonable explanation of their losses.

C.V. Bishop,
managing director,
Capital Value Brokers,
17 Dufferin Street,
London EC1Y 8NJ

Inflated record

From Mr E Guy Abel.

Sir, You class Mr Kevin Maxwell as Britain's biggest bankrupt. Aside from the rather specialised nature of Mr Maxwell's circumstances, no journalist appears to have applied the retail prices index to the former record holder's debt. I calculate Mr Stern's *1974* debt of £118m to be equivalent to £632m in 1992. Should we not reinstate Mr Stern with this, er, honour?

E Guy Abel,
56 Telford Avenue,
London SW2 4XF

OBSERVER

Paramount coup?

■ Anyone spotting Michael Heseltine whispering in the Queen's ear need not suspect a threat to John Major's premiership. Hezza the Prezza will simply be passing on glad tidings in what has been a wretched summer for Britain's royal family. The board of trade president himself learned the news while on holiday in Fiji.

The island's lately elected prime minister Major General Sitiveni Rabuka would like to rejoin the Commonwealth, from which his country was ejected after Rabuka led two military coups five years ago.

Although now a republic, it still pictures the Queen's head on its revamped currency. Moreover, despite the installation of former governor-general Ratu Sir Penaia Ganilau as president, Fijian diplomats stress that the Queen remains Tui Viti or paramount chief; this means the citizens get a day off on her birthday.

Even so, Rabuka's ambitions to rejoin the Commonwealth are likely to be blocked by India pending a promised review of the post-coup constitution. As things are, it provides an inbuilt majority for indigenous Fijians at the expense of ethnic Indians.

As for the rest of the Pacific, apart from New Zealand where the Queen remains highly popular, the royal outlook is unsettled. To add to the buffeting from Paul Keating's Labor government in Australia, which deems a British head of state to be demeaning, it's said that Tuvalu, Papua New Guinea and the Solomon Islands are considering a turn to republicanism.

If so, they may need to be quick. Given the ways things are going at home, the British may get there before them.

Early promise

■ Juvenilia have a habit of reappearing at embarrassing times, as Jack Straw must be reflecting in his grown-up role as Labour's environment spokesman with responsibility for presenting the party's housing policies. The housing magazine Roof has unsportingly dredged up an article he wrote for it in 1980 setting out a "draft Labour housing manifesto".

In those heady days of clause four socialism, the promises were simple. One, repeal the law which allowed tenants to buy their council houses. Two, increase public subsidies to hold down council rents. Three, phase out tax-relief on mortgage interest.

Twelve years on, Labour's new realism means that Straw's main task is to present the party as the friend of home-owners and the enemy of profligate councils. But if it causes him to drop the pledge of abolishing tax-relief in particular, it is not only the left who'll be sorry.

Housing experts are almost unanimous in agreeing that getting rid of this expensive subsidy to mortgages is the key to putting the housing market on a more even keel.

Tight-lipped

■ So much for open government. John Major, in his keynote speech on the future of Europe, dwelt eloquently on the rebirth of freedom and democracy in eastern Europe. But yesterday's conference seemed to be run along the lines of a Communist party congress.

"I wish I had a pound for every time I've worried about the D-Mark"

Journalists were first barred from the auditorium at which two dozen or so of the great and the good were spelling out their vision of the future. Then they were banned from the surrounding areas, presumably to prevent them from gauging reaction to Major's contribution. The PM was a bit weak on his history was the word of one man in the corridors.

A few did manage to break through – the Foreign Office reserved some places for their favourite few – while the half dozen commercial sponsors, such as British Gas, were kind enough to issue personal invitations to members of the fourth estate. But the foreign journalists from Brussels were enraged by the Stalinist barriers.

The vast majority of the press corps was kept at a safe distance. A blustering Foreign Office official blamed it all on Gus O'Donnell. The Downing Street press secretary, who once promised to shake off the cobwebs of secrecy in Whitehall, looked sheepish and muttered something about security.

Omissions

■ Meanwhile, it has not gone unnoticed that not all of Europe's heavy hitters graced yesterday's stage. If the conference – Europe and the World after 1992 – was as big an event as it was supposed to be, a better cast list might have been expected.

Admittedly, the French could use their forthcoming referendum as an excuse. It's much better that France's top politicos concentrate on whipping in the "yes" vote than pontificating in London, and anyway France's European Commission president, Jacques Delors, was on hand. Swedish prime minister Carl Bildt and the EBRD's Jacques Attali turned in robust performances. But where was the big German name?

Unlucky strike

■ Whoever is invited to take over the chairmanship of the London Metal Exchange at the end of the year may think twice before taking on the job. The two previous incumbents failed to finish the course.

Christopher Green left suddenly in August 1990 after an argument with the new owners of Cerro Metals (UK) where he was chairman and *managing director*. The LME rules insist that when a board member changes companies he must resign, so Green handed over to John Wolff.

Now Wolff, marketing director at Rudolf Wolff, has decided to quit the family company which was sold in two tranches (in 1971 and 1981) to Noranda, the big Canadian resources group. He says he doesn't particularly like the big-company style and would rather work for himself.

However, if Raj Bagri, the LME's Indian-born vice chairman, gets the chairmanship, he should be able to stay the course. Since he owns his own company he doesn't have to worry about shareholders who think he's spending too much time on LME business. And since he's estimated to be worth £74m, he can afford the time.

Insoluble

■ Does the government know more than it is letting on about economic recovery?

In its targets for 1992-93 for the Insolvency Service, it is estimating that there will be 36,000 new insolvencies. Strange, considering the service handled 35,097 last year and the rates have continued to rise sharply since. There again, perhaps it is too reliant on rosy Treasury forecasts. Last year, it predicted 20,500 insolvencies. Embarrassed officials had to hire another 150 staff to cope with the extra workload.

If the same underestimates prove true this year, at least a few more civil servants will have jobs.

Born to the job

■ Tibbett & Britten, the *contract distribution* group, has appointed Maurice Wood as managing director of its new South African subsidiary. The company says that Wood, 34, is a senior industry figure who has spent his entire 35-year career in the distribution sector...

FINANCIAL TIMES
Tuesday September 8 1992

Defence ministry refuses to release prototype

UK tank loses chance of £1bn Swedish deal

By David White, Defence Correspondent in London

VICKERS of the UK has been excluded from a £1bn ($1.99bn) Swedish export deal because of its inability to send one of its new Challenger 2 tanks for field trials.

Sir Colin Chandler, chief executive of the group, said the ministry of defence refused to release one of the eight prototypes being tested for the British army.

It is understood the decision was taken at a senior level of the MoD's procurement executive.

Mr Anders Björck, Swedish defence minister, said yesterday the Challenger 2 had been ruled out of a competition to supply 200 battle tanks to the Swedish army. He expressed astonishment that the UK had turned down a request to take part in field trials starting in Sweden on October 1.

The Swedish government made a second request, thinking there had been a misunderstanding. Mr Björck said: "The answer was very clearly 'We can't' and so we skipped it."

The competition would now be decided between the German Leopard 2, the US M1A2 Abrams and the French Leclerc tank, he said. A contract was due in 1994.

Last year, Vickers won a UK contest for 130 tanks in a deal worth over £400m. Export prospects was one of the arguments used to support its bid against its three main western rivals.

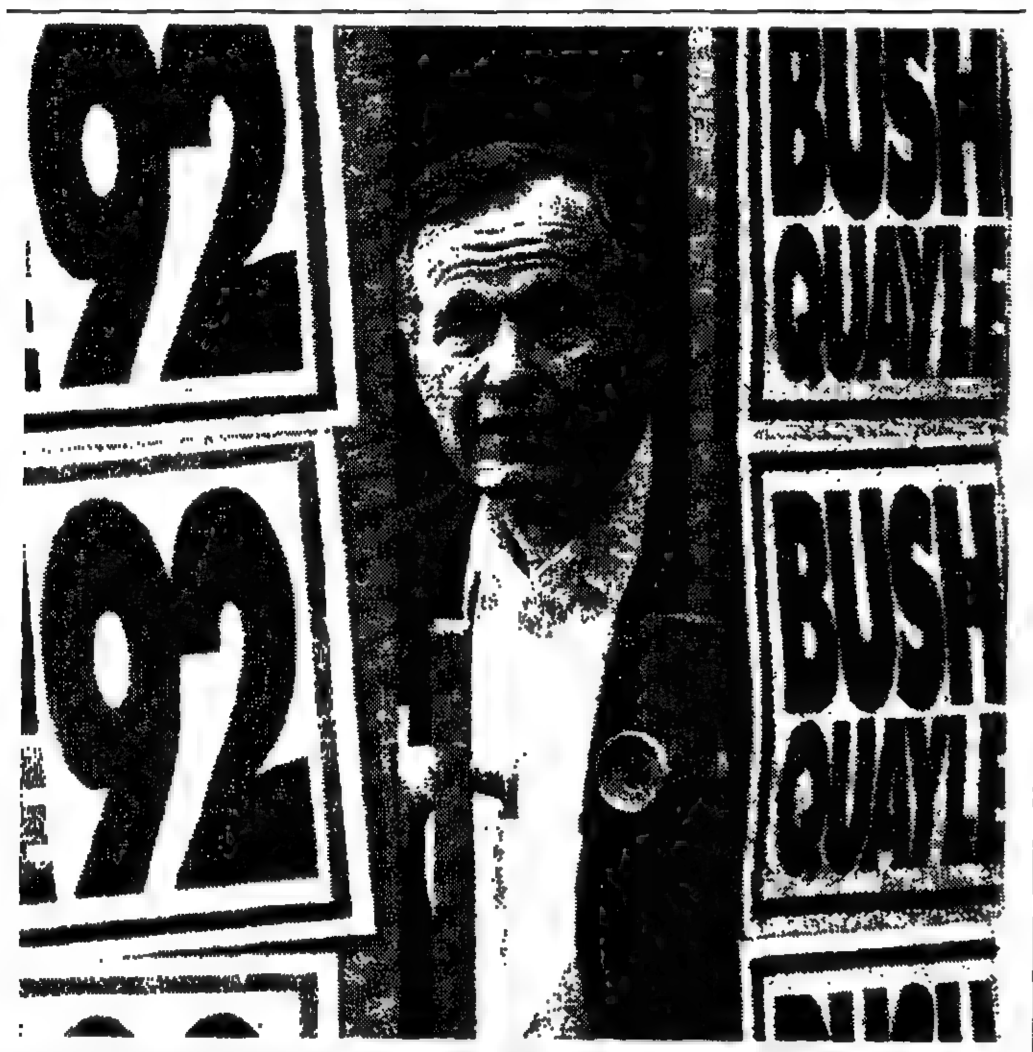
One of the nine Challenger 2 prototypes is in Saudi Arabia, following recent trials in Kuwait. Further trials aimed at securing contracts are due in the United Arab Emirates and Oman.

Mr Björck said the UK obviously thought the Middle East more important than Sweden.

Vickers had pinned hopes on Sweden as its biggest western export prospect in the near future. Sir Colin said he hoped Vickers would be able to rejoin the contest: "We are hoping common sense will prevail between the two governments."

If Vickers had removed one of its tanks from the UK tests it would have been in breach of its contract, he said.

Farnborough air show, Page 6



US president George Bush watches as several thousand supporters gather to hear him make a Labor Day speech. The holiday traditionally launches the last stage of the presidential campaign. Editorial Comment, Page 18; Bush turns his campaign guns on Congress, Page 5

UN seeks assurances over resumption of Bosnian airlift

By Frances Williams in Geneva

UNITED NATIONS officials warned yesterday that suspension of relief flights into the besieged Bosnian capital of Sarajevo threatened efforts to build up essential winter stockpiles of food, medicine, fuel and shelter materials.

The airlift was suspended last Thursday after an Italian relief aircraft crashed near the Bosnian capital, killing all four crew.

Mrs Sadako Ogata, UN high commissioner for refugees, Mr Cyrus Vance and Lord Owen, co-chairmen of the conference on the former Yugoslavia, and representatives of the warring parties held urgent talks yesterday on how to safely resume the airlift.

The UNHCR is seeking security assurances both for future flights and for deliveries of supplies on the ground. A UN warehouse in Sarajevo was shelled on Sunday in what appeared to be a deliberate attack.

Mr Vance, representing the UN, and Lord Owen, for the European Community, plan to visit the region later this week, shortly before the deadline of midday on Saturday which they have set for Bosnian Serb forces to put heavy weapons around four cities under UN supervision.

Mr Fred Eckhard, spokesman for the co-chairmen, said the deadline was not an ultimatum but a "nailing down" of the offer made by Mr Radovan Karadzic, leader of the Bosnian Serbs, at last month's London conference on the former Yugoslavia. Talk of sanctions if the deadline was not met was "not in the spirit of what is going on", he said.

Under the terms of the accord, Bosnian Serb forces will concentrate their heavy weapons around Sarajevo, Bihac, Jajce and Gorazde at declared sites where their use will be monitored by UN observers. The deal covers tanks, multiple rocket launchers, 82mm mortars and field guns of 100mm calibre or more.

The UN monitors about half the heavy weapons around Sarajevo under an accord that opened the airport for relief flights. The number of sites, now thought to be about eight, may rise to 10 or 11 under the new agreement.

Mr Eckhard said the airport agreement had succeeded in reducing the amount of shelling of the city, despite several tragic incidents. However, most of the remaining bombardment came from undeclared weapons sites in the hills to the east of the city away from the airport.

The suspension of the airlift to Sarajevo has also affected supplies intended for Gorazde, cut off for four months until the siege was lifted a week ago. No supplies have reached the town since a second UN convoy arrived there last Thursday.

Mr Eckhard said that the UN had been poised to step up its relief efforts to Sarajevo and other Bosnian cities, just a few weeks before the Balkan winter sets in. Sarajevo airport is often out of action during the winter months and many mountain roads become impassable.

Lira recovers but Italian shares slide

Continued from Page 1

The lira strengthened against the D-Mark, closing at L763.5 from a previous close of L765.4.

Most European share prices received a mild boost after the Bundesbank's commitment not to raise short-term interest rates "in present circumstances".

The Italian stock market, however, plummeted in the wake of Friday's 1.75 percentage point rise in the country's discount rate. The Milan stock index fell by 3 per cent to close at 707.

Italian bonds also fell sharply, with key fixed income long-dated binds closing with losses of up to 40 basis points.

● British holidaymakers are buying dollars even though many do not intend to travel to the US until 1993. Mr Ian Spight, director of Thomas Cook Financial Services, part of one of Britain's largest travel agencies, said yesterday. He said many clearly did not believe they would see a $2 pound again for some time.

At least 24 killed in Ciskei 'homeland' shooting

By Patti Waldmeir in Johannesburg

TROOPS from the nominally independent black "homeland" Ciskei yesterday opened fire on African National Congress demonstrators, killing at least 24 people in an incident which will further strain relations between the ANC and the South African government.

The ANC last night condemned what it described as an "unprovoked killing of unarmed demonstrators" outside the Ciskei capital, Bisho, in which at least 150 people were wounded. An ANC statement blamed both Brigadier Oupa Gqozo, the military ruler of Ciskei, and the South African government, which provides financial, security and political support to Ciskei.

The statement made no mention of the effect the incident might have on constitutional talks, stalled since the June massacre at Boipatong, near Johannesburg.

Witnesses yesterday said Ciskei troops opened fire on some 50,000 ANC demonstrators just inside the homeland's border with South Africa.

The march, which was part of the ANC's strategy of mass action to force political concessions from Pretoria, was called to protest at restrictions on political activity in Ciskei.

The ANC had legal permission to lead a march only as far as a sports stadium just inside the Ciskei border, but ANC leaders made clear that their aim was to occupy the capital itself, in an attempt to topple Brig Gqozo's government.

The incident was part of a continuing struggle between the ANC and conservative homeland governments for political support in the 10 homelands created under apartheid.

The ANC statement alleges that the government of President F.W. de Klerk failed to restrain Brig Gqozo, who could not continue to rule in Bisho without Pretoria's support.

"Rather than restrain their client, the men in Pretoria chose to deploy a police unit to protect him," the ANC said in a sharply worded statement.

Mr de Klerk, who was chairing a conference of other homeland leaders in Pretoria to discuss constitutional issues, said no South African security forces were involved in the incident.

But there was a substantial South African presence deployed inside South Africa near the Ciskei border. Mr Hernus Kriel, law and order minister, said the incident could have been avoided if conditions imposed on the marchers by a local magistrate had been respected.

Last night he met Mr Cyril Ramaphosa, ANC secretary-general, who led the march. A police statement said Mr Ramaphosa had demanded that the South African government remove Brig Gqozo from power, and that Mr Kriel had responded that Pretoria was "not in the business of removing other governments".

Key to power, Page 8

French voters undecided

Continued from Page 1

population. Mr Louis Viannet, secretary general of the Communist-led CGT, France's largest union, said the treaty's tough economic criteria would create "social explosions". Mr Jean Kaspar, leader of the CFDT, loyal to the Socialists, said Maastricht could improve social conditions.

The government's efforts to keep its own unpopularity out of the campaign suffered a setback when Mr Henri Emmanuelli, president of the National Assembly and former Socialist party treasurer, announced that he had been summoned to appear before magistrates in Rennes next Monday. He is expected to face charges relating to allegedly irregular fundraising methods by the Socialist party.

THE LEX COLUMN

Lamont's cold Bath

The UK chancellor may be crowing about the "promise" he extracted from the Germans over the weekend, but on reflection yesterday the gilt and equity markets were rather less impressed. In part second thoughts recognised that the German statement was little more than an offer not to increase interest rates unless it was necessary, but sterling's weakness hardly helped. The Treasury must feel that the pound hovering just below DM 2.80 is scant reward for last week's Ecu 10bn-worth of ingenuity.

In truth, all eyes are fixed on the dollar and the French referendum; until that is out of the way, there is little the chancellor can say to influence events. However hard the government struggles to persuade investors that it is committed to the current parities, the markets still look towards the pressure on the ERM which would follow a No vote.

Assuming the French say Yes, there is probably room for the gilts market to go higher. Gilts now yield some 150 basis points more than German bunds, and while that is less than the 200 basis points reached in the darkest days of August, it still reflects a healthy risk premium. The market has also had some £7.5bn of supply removed from this year's funding requirement, and real yields remain at very high levels. If that is not yet enough to encourage investors to brave the risks of a No vote, it is at least a reasonably solid underpinning for the market.

FT-SE Index: 2372.2 (+10.0)

Rugby Group

After CRH last week and Rugby yesterday the market might well ask itself how many other UK building material companies will manage to increase first half profits in 1992. The answer is probably one at most. Rugby's 10 per cent advance at the pre-tax level is undeniably a good performance in the current climate, though even more encouraging yesterday was the group's assertion that it is suitably structured for today's conditions. Further capacity and cost cuts are all too painfully inevitable elsewhere in the sector.

It is nevertheless the overseas tail (36 per cent of the profits total and rising) which is now conspicuously wagging the Rugby dog. In spite of adverse currency movements – which knocked more than £600,000 off profits in translation – Australia, the US, and the European joinery businesses all turned in better results than a year ago. Combined with a higher return on Rugby's cash balances – which are broadly unchanged from the end year level – this more than offset lower contributions from the UK joinery and metal products divisions. The impact of rigid cost controls is best seen in cement where operating margins in the six months were 16.3 per cent, against 13.5 per cent in last year's second half.

With Rugby budgeting for a further 5 per cent decline in UK cement volumes in 1993, the importance of its overseas interests is merely underlined. The shares, up 9p yesterday at 169p, look fairly rated for the moment on the market yield of 5.1 per cent and a forward earnings multiple (given full year profits of say £58m) of 12.6. Ultimately they may do better if the company uses its strong balance sheet to make a shrewd acquisition or two.

Consumer spending

Exports and capital investment have never been leading candidates to drag the UK out of recession: this year's dreadful net trading performance and the size of the country's spare manufacturing capacity make them ever less plausible spurs to revival. Yesterday's credit figures for July, on the other hand, showing net lending of £78m after net repayments in June of £55m, provide just a glimmer of hope that consumers may yet do the trick.

Admittedly one month's figure in this notoriously erratic series should not be overstated, and the three month trend has barely changed. On top of anecdotal evidence from retailers that non-food sales in August were not the disaster some were predicting, however, the credit numbers suggest that the bears may be unwise to pile on the gloom. It could be, of course, that the housing market rush to beat the August deadline for withdrawal of stamp duty relief inspired an exceptional burst of fridge and washing machine sales. But experience suggests this would come after people had moved into their houses rather than before.

With houses in the south-east of England losing £1.14 of their value per hour (judging by the latest Halifax index) the recovery in any case may not come first from discretionary consumer durable purchases financed by credit cards and finance house loans. Small ticket items are probably the ones to watch.

Pentland

Assuming the deal to acquire Adidas goes through without a hitch, yesterday's interim results from Pentland are largely of historical interest. The company is currently between sports shoe brands, having disposed of its Reebok holding, and the £14m interest income earned in the half year is a freak result. To value the shares now investors must decide what sort of a fist Pentland can make of Adidas.

Clearly one of the tricks which Pentland turned at Reebok can be repeated with Adidas. Pentland has plenty of experience buying sports shoes cheaply in the far east, and so should be able comfortably to improve on Adidas's poor sourcing record. There may also be efficiency gains to be had in the European operation which will further help margins. That may push Adidas margins up from just 1 per cent at present to nearer the mid-teens Nike and Reebok have managed, even though industry margins may come down as the market matures.

It is less certain that the other part of the Reebok success story can be so easily reproduced. Reebok triumphed in the 1980s by capturing that vital but elusive quality for the youth fashion market, street credibility. To match that Pentland's marketing and advertising strategy must reverse Adidas's flabby brand image. It will also require money, and while some sponsorship deals may be dropped in favour of direct advertising, it would be surprising if Adidas's total marketing budget did not rise. If it works, the rewards will be substantial. But investors should remember that fashion has always been a high risk game.

World Weather

		°C	°F
Ajaccio	S	24	75
Algiers	S	31	88
Amsterdam	R	14	57
Athens	F	25	77
Bahrain	S	35	95
Bangkok	C	33	91
Barcelona	F	26	79
Beijing	S	30	86
Beirut	C	28	82
Belfast	C	12	54
Belgrade	S	20	68
Berlin	S	17	63
Biarritz	Dr	18	64
Bombay	F	28	82
Bordeaux	F	18	64
Boulogne	S	17	63
Brussels	C	17	63
Budapest	F	17	63
Buenos Aires	F	17	63
Cairo	F	31	88
Cape Town	S	18	64
Caracas	C	26	79
Casablanca †	S	24	75
Chicago †	S	18	64
Cologne	C	19	66
Copenhagen	F	15	59
Corfu	S	25	77
Dallas †	S	24	75
Dublin	R	14	57
Dubrovnik		–	–
Edinburgh	S	14	57
Faro	S	25	77
Florence	S	25	77
Frankfurt	S	18	64
Geneva	S	21	70
Gibraltar	S	27	81
Glasgow	R	11	52
Helsinki	C	13	55
Hong Kong	R	27	81
Innsbruck	C	16	61
Inverness	F	12	54
Islamabad	C	27	81
Istanbul	S	23	73
Jakarta	R	32	90
Johannesburg	S	25	77
Lisbon	S	25	77
London	F	16	61
Los Angeles †	C	18	64
Luxembourg	S	18	64
Madeira	S	25	77
Madrid	S	29	84
[illegible]	S	27	81
[illegible]	S	24	75
Malta	S	25	77
Manila	C	31	88
Melbourne	R	8	46
Mexico City	C	23	73
Miami †	S	27	81
Milan	S	23	73
Montreal †	C	18	64
Moscow	S	19	66
Munich	S	19	66
Nairobi	F	22	72
Naples	S	26	79
Nassau	F	32	90
New Delhi	F	31	88
New York †	C	19	66
Nice	S	22	72
Nicosia	S	27	81
Oporto	S	21	70
Oslo	F	15	59
Paris	F	17	63
Prague	S	18	64
Reykjavik	F	9	48
Rhodes	S	26	79
Rio de Janeiro	R	27	81
Rome	S	24	75
Salzburg	S	19	66
S'Francisco †	S	13	55
Seoul	F	24	75
Singapore	F	29	84
Stockholm	S	13	55
Strasbourg	F	20	68
Sydney	S	20	68
Taipei	R	33	91
Tangier	F	25	77
Tel Aviv	C	30	86
Tenerife	S	26	79
Tokyo	F	26	79
Toronto †	C	18	64
Tunis	F	28	82
Valencia	S	27	81
Venice	S	21	70
Vienna	S	18	64
Warsaw	R	12	54
Washington †	Dr	21	70
Zurich	S	19	66

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday September 8 1992

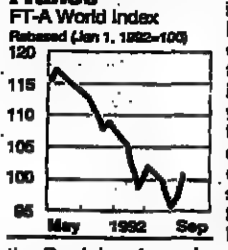
INSIDE

Outokumpu gets ready for sell-off

It is unusual for senior managers of large companies to admit mistakes publicly without being forced to do so. But Outokumpu, the Finnish metals and mining group, owns up in its latest annual report. Mr Jyrki Juusela, chairman, says: "We did not react to change quickly enough." The setback has come at an unfortunate time because Outokumpu is being lined up for sale to international investors. Page 22

A view beyond Maastricht poll

France
FT-A World Index
Rebased (Jan 1, 1992=100)



With the scales tipping in favour of a Yes vote in the French referendum on the Maastricht treaty on September 20, European equity strategists are looking beyond the poll to the prospect of a cut in German interest rates. There also seems to be agreement that European bourses have fallen too far since the Danish referendum in June. Back Page

Military loses Thai Air

With less than a week before Thailand's general election on Sunday, the caretaker government yesterday wrested control of Thai Airways International, the partially privatised national airline, from the air force and installed its own nominees on the board. Page 23

Debt collection group slows

Intrum Justitia, the Dutch-based debt collection group, reported a 33 per cent rise in interim profits in spite of the slowing pace at which overdue debts are being paid. Page 27

Sour start to milk marketing

Mr Andrew Dare, chief executive of the UK Milk Marketing Board for just one week, found his own words used against him in a blistering attack on plans to end the 60-year-old statutory milk marketing monopoly. He counter-attacked, saying he stood by everything he had said. Page 28

Privately placed US debt falls

The boom in US public stock and bond issues over the past 18 months has made Wall Street underwriters and corporate finance officers happy, but has exacted a heavy toll on the market for privately placed debt and equity. The volume of corporate debt and equity placed privately with investors in the US has fallen sharply since last year, and the rate of decline has accelerated this year. Page 24

Dollar fall hits UK textiles

Interim results are due soon from British textile and garment makers. The figures should show that the cost-cutting of 1991 is bearing fruit. But unless there is a sharp recovery in the dollar, they will be accompanied by warnings that Asian countries with currencies tied to the dollar are pricing Europeans out of the market. The currency question comes as the strategy to move upmarket has begun to bear fruit. Page 25

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Linotype-Hell	370	+	8
Rosenthal	260	+	10
Wella Prf	544.8	+	11.8
Falls			
Aachen Mch Reg	700.5	−	19.5
GEHE	400	−	13
Porsche	515	−	10

PARIS (FFr)

Rises			
Imm de France	799	+	49
Falls			
Accor	520	−	30
Accl Entrepr	561	−	34
Carrefour	2076	−	224
Gaumont (Soc)	420	−	30
Promodes	577	−	28

TOKYO (Yen)

Rises			
Itoman	392	+	42
Kagoshima Bank	580	+	65
Nitto Koko	289	+	25
Taisei Fire	657	+	67
Yasuda Tst Bkg	1010	+	96
Falls			
Jiitosha Buhin	280	−	39

New York closed.

LONDON (Pence)

Rises			
AMEC	72	+	4
Aviva Pet	55	+	11
Bromsgrove	77	+	4
Caird	43	+	5
Hammerson A	193	+	9
Hillsdown	104	+	[illegible]
Kwik-Fit	111	+	6
Medeva	198	+	17
PWS	39	+	7
Rugby	169	+	9
Sterling Trust	90	+	10
Trade Indemnity	43	+	4
Warburg (SG)	439	+	13
Wellcome	844	+	18
Falls			
British Vita	219	−	5
Ensor	10	−	3
Eurotunnel Uts	385	−	15
Hepworth	243	−	20
Invesco MIM	56	−	4
Jacks (Wm)	11	−	4
MFI	102	−	6
MTM	31	−	5
Matthews (B)	39	−	4
Smith (WH) A	[illegible]	−	13

SocGen buys 30% of HK broker

By Simon Davies in Hong Kong and William Dawkins in Paris

SOCIETE GENERALE, the leading French private sector commercial bank, has acquired a 30 per cent stake in Crosby Securities, the Hong Kong-based stockbroking group.

The French bank intends to increase its holding to 49 per cent within the next few months, but did not disclose the size of its investment in the group which last year generated a trading turnover of $4bn.

The announcement ends speculation that the brokerage was looking for outside capital backing. It represents a significant expansion for the French bank, which has little exposure to Asia's emerging markets.

Mr Marc Viénot, Société Générale's chairman, said the investment would increase the product range of its Société Générale Equities division. "It will allow us to offer to our clients highly judged financial analysis and high quality execution on the emerging markets of Asia."

The French bank said the move was part of its strategy of building an international network of brokers specialising in secondary equity markets.

Crosby has 10 offices in Asia, and sales desks in the UK and US. It has a presence in China, with offices in Beijing and another planned for Shanghai. It recently set up a joint venture operation in Sri Lanka.

The year to September will be Crosby's most profitable ever as a result of the booming Hong Kong stock market. However, international competition has been increasing in Hong Kong. The presence of the world's 20th largest commercial banking group will provide a necessary source of capital backing.

Crosby was set up in 1984 by Mr Tim Beardson, its chairman, with financial support from venture capital funds. Mr Bruce Darrington, managing director of Crosby Securities, said the management would retain 51 per cent and the brokerage would not change its name.

He said the track record of banks' wholly owned stockbroking houses has been limited and that by buying into Crosby, "Société Générale has leap-frogged [other international banks] who have tried to set up their own broking operations in Asia".

The SocGen stake was mostly acquired as new equity, but some of the original minority shareholders were also bought out.

SCA abandons alliance with MoDo

By Robert Taylor in Helsinki

SVENSKA Cellulosa Aktiebolaget (SCA), the Swedish forestry group, yesterday abandoned its attempt to form a strategic alliance with Mo och Domsjö AB (MoDo), one of its main domestic competitors.

At the end of 1990 SCA paid SKr1.4bn ($265m) for a 31 per cent stake in MoDo's voting rights and 16 per cent of its equity.

The intention was to bring about closer co-operation between the two companies, particularly in the production of printing paper.

SCA said yesterday it had become apparent that the desired co-operation was no longer possible because of differences of opinion between the two companies.

It said SCA's influence on MoDo and its strategic development was very limited as a result.

SCA's president and chief executive, Mr Sverker Martin's Löf, is to resign from the MoDo board, "so that he could consider alternative solutions in the future".

Mr Bo Rydin, SCA's chairman, will remain on the board to look after SCA's investment.

SCA said that since it could no longer regard MoDo as an associate, it would no longer account for MoDo's results on an equity basis.

MoDo contributed a loss of SKr28m to SCA's earnings in the first four months of this year.

SCA said it would now restate its 1992 earnings to account for its holding on the basis of the cost of the acquisition.

The company said the value of its holding would be reviewed at the end of this year.

Analysts speculated that this could involve a substantial write-down.

The shares are believed to have cost around SKr1.4bn, while their present value is around SKr400m.

SCA pursued an aggressive strategy of acquisition in the late 1980s, culminating in the £1.1bn ($2.18bn) purchase of Reedpack of the UK in 1990. Its attempt to buy Feldmuhle Nobel of Germany was thwarted by its larger rival, the leading Swedish paper maker Stora.

At the time of the agreed deal with MoDo, SCA said it did not intend to increase its shareholding, since its financial position was already stretched.

Since then the company has been hit by the downturn in the paper industry worldwide, resulting in large lay-offs and sharply reduced profits.

Hopes pinned on the bulletin board

Richard Waters and Jane Fuller report on attempts to keep the UK market in seldom traded shares alive

Timing, so the saying goes, is everything. This autumn, the London Stock Exchange plans to unveil its vision of the future of share trading in the UK. After nearly three years of political in-fighting, its blueprint will reveal how shares in UK companies will be traded in the years ahead.

Last Friday, however, Warburg Securities, one of the biggest traders in UK shares, unilaterally decided to stop making markets in 350 small companies. Just under 100 of these have effectively been left without a normal market for their shares.

The Warburg announcement may not have been intended to carry any deeper message about the future of the UK stock market. After all, it was doing what any company does in a recession – shedding lossmaking product lines and cutting overheads to concentrate on more profitable business. But against the background of the stock exchange's overhaul, Warburg's move has been widely seen as a vote of no-confidence in the future.

"We very much hope the Warburg action will help to focus the exchange's mind," said Mr Jonathan Davie, head of equities at Barclays de Zoete Wedd. "I'm not aware there has been much of a debate on smaller companies recently."

Warburg's move has kicked back into life a debate which has lain dormant for much of the past year. The problem is simple: of the 2,500 or so companies on the stock market, only a small proportion are actively traded.

Shares in the rest are seldom traded – or if they are, buyers and sellers are often brought together by a broker, leaving no business for the marketmakers who quote prices on the stock exchange's Seaq system. With little business to do, it is small wonder that the marketmakers are throwing in the towel.

The stock exchange has made various attempts at filling the vacuum, most recently this spring with the launch of its "bulletin board". This electronic notice board was never intended to be anything more than a fall-back position for companies which cannot muster at least two marketmakers to quote prices in their shares.

Investors wanting to trade in the shares of a company which has been consigned to the bulletin board can opt to have their buy or sell orders displayed on screen for the rest of the market to see. Other investors can then deal at these advertised prices or try to negotiate a better deal.

The number of companies on the board could soon nearly double. Warburg's move has left 93 companies with only one marketmaker: if these cannot find another by the end of next week, they will be put on the board, swelling the number in this nether region of the stock market to more than 210.

The bulletin board can do little more than keep a semblance of a market for the growing numbers of illiquid, or seldom traded companies, the exchange acknowledges. Evidence so far suggests that companies on the board are traded no more or less actively than before – at around two bargains in their shares on average each month, it says.

For some companies, the board may have brought an improvement. Mr Keith Hall, chief executive of the Hartlepools Water Company, says trading has picked up. "Whether this is due to the bulletin board, the publication of our results at about the same time or the general development of water industry shares, it is impossible to say. But we welcome any improvement on what went before, which was next to nothing."

Warburg's move has been seen as a vote of no confidence

Other ideas to keep the market in small companies alive have so far failed to bear fruit.

Nearly two years ago, six of the biggest marketmakers – among them Warburg – agreed between them to guarantee that every listed company would have at least two marketmakers. That commitment has come and gone as market conditions have continued to deteriorate.

Then, a year ago, the exchange first floated privately the idea of creating "sole traders", or "matching principals" – traders who would be given a monopoly in trading a company's shares. That suggestion was criticised by investors and listed companies who feared this would lead to a deterioration of the market.

The bulletin board is the exchange's only order-driven system – that is, a market that operates on the basis of investors' actual orders to buy and sell shares. As such, it has driven a wedge into the normal quote-driven system, which is based on intermediaries' quotes of prices at which they are prepared to buy or sell shares.

Warburg's decision to drop marketmaking in so many companies' shares, coming as the debate between these two different market systems gathers momentum, could help to push the exchange further towards an order-driven market.

To many marketmakers, that is heresy: it would allow buyers and sellers of shares to deal without needing a marketmaker to act as intermediary – and so could spell the beginning of the end of marketmaking. But as Warburg's move clearly indicates, making markets in many companies' shares may no longer be worth the effort.

Pentland profits boosted by sale of stake in Reebok

By Angus Foster in London

PENTLAND Group, which in July agreed to buy Adidas from Bernard Tapie Finance, yesterday announced higher interim profits mainly due to interest on cash from last year's sale of a 32 per cent stake in Reebok.

Pre-tax profits increased from £6m to £19.7m ($39.2m) in the six months to June 30. Interest income contributed £14m after Pentland raised about £389m from the sale of its stake in Reebok, the US sports shoemaker, in April and December.

The figures were above analysts' expectations and the shares gained 3p to 130p.

Mr Frank Farrant, finance director, said underlying businesses such as swimwear group Speedo performed well. Pentland acquired the Speedo brand, its European distributor and a 39 per cent stake in the North American distributor two years ago.

Rationalisation and new product sales from Speedo helped lift group operating profits 35 per cent to £4.3m.

Profits from associates, mainly the North American distributor, increased from £500,000 to £1.5m.

Pentland's net cash improved more than £100m to £266.7m. The Adidas acquisition is to be completed in November and Pentland will pay about £198m to lift its stake to 95 per cent.

Pentland first took a 20 per cent stake in Adidas last year. Mr Tapie agreed to sell the remaining shares when borrowings to finance his purchase of Adidas threatened financial problems.

Adidas was also perceived to be slipping behind its main rivals, Nike and Reebok, and needed new investment.

Pentland does not expect Adidas to make a profit before 1993, but believes Adidas's margins can be lifted by sourcing from Asia and cost cutting. "Adidas's sales haven't fallen but their costs are expensive," he said.

An April agreement for Pentland to source from Asia for LA Gear, the US sports shoe and clothing maker, did not contribute during the period.

However, Mr Farrant expected the agreement, which could be worth $300m of sourcing business a year, to show a contribution in the second half of the year.

Earnings increased from 1.42p to 3.69p. The interim dividend is raised 11 per cent to 1.04p. This follows a trebled final dividend last year.

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Rugby's rise bucks industry trend

By Andrew Taylor, Construction Correspondent

THE share price of Rugby, Britain's third largest cement manufacturer, rebounded by 5 per cent from 160p to 169p yesterday after the group announced a rise in first-half pre-tax profits from £27.4m to £30.2m ($60.1m) and held its dividend.

The company's profit figures made a welcome start to a week in which several large UK construction group are expected to announce interim dividend cuts. Half-year results include figures from Wimpey today, Taylor Woodrow tomorrow and Amec, John Laing and Blue Circle on Thursday.

Few British construction or building material companies will be able to announce any increase in pre-tax profits for the first six months of this year.

Rugby, which is maintaining its interim dividend at 2.85p, offset an 8 per cent fall in UK profits from £18.9m to £17.3m with higher earnings from Australia and the US – aided by a fragile recovery in construction output in both countries.

Profits were further boosted by £3.1m of interest received compared with £1.8m at the corresponding stage last year. The group had cash in hand of £23m at the end of June.

Prospects for UK construction, however, look bleak with no recovery in sight for housebuilding and commercial property investment. Public spending on construction remains under pressure in the government's autumn spending round.

Manufacturers expect UK cement sales to fall about 8 per cent this year following last year's 16 per cent decline. However, Rugby reported cement profits only 0.1 per cent lower at £10.3m.

It was helped by good winter weather for construction in south-east England, where most of its cement plants are. UK structural steel profits by comparison slumped 98 per cent to just £16,000 while UK joinery profits fell 6.8 per cent to £7m.

Overseas profits rose 47 per cent to £9.8m in spite of adverse currency translations from US and Australian dollars. Profits from Australian cement and lime, sold to the construction and aluminium industries, rose 8 per cent to £5.1m. Group earnings per share rose from 6.31p to 6.86p. Turnover fell marginally to £283.7m from £270.9m.

Lex, Page 20

INTERNATIONAL COMPANIES AND FINANCE

Elkem close to selling Nefelin unit to US group

By Karen Fossli in Oslo

ELKEM, the Norwegian light metals producer, has almost completed the NKr330m ($57.2m) disposal of its Elkem Nefelin subsidiary to US-based Unimin Corporation, a minerals and mining company. The sale could return Elkem a profit of over NKr200m. Details will be announced after final approval is received from from Norwegian authorities. A final agreement could be signed within three months.

Elkem Nefelin produces nepheline syenite, a mineral used by the glass and ceramic industries. It has an extensive domestic distribution network and last year posted a pre-tax profit of NKr32m.

The deal also calls for Unimin to acquire Nefelin's debt, estimated at NKr60m at the end of last year.

"The sale will contribute further to strengthen the Elkem group's balance sheet and to free capital," the company said. Elkem's A shares closed NKr1.50 up at NKr32 and free shares rose NKr2 to NKr39 on the news.

Elkem is raising much-needed capital and reducing debt through the sale of assets and curbing costs through further staff cuts and reductions in output from aluminium and ferrosilicon plants.

The company said the Elkem Nefelin disposal, combined with the earlier sales of its 50 per cent stake in Elkem-Rockwool and its wholly-owned Elkem Eiendom real estate subsidiary, would reduce debt by NKr900m.

Mr Kevin F. Crawford, Unimin's president and chief executive, will develop Elkem Nefelin and regarded the company as highly competitive.

"Due to the distance from our North American headquarters, we will be relying on the existing management and production workforce of Elkem Nefelin," Mr Crawford said. For Elkem, the disposal means a further concentration of the group's core business areas of ferroalloys, silicon metal and aluminium.

Daishowa Paper share deal to raise Y9.9bn

By Emiko Terazono in Tokyo

DAISHOWA Paper, Japan's second largest paper manufacturer which is facing mounting debts due to over-expansion in the late 1980s, said yesterday it would raise Y9.9bn ($78.7m) through a third-party share allotment.

This follows the company's recent decision to pass its interim dividend and sell overseas assets. Daishowa will allot 5.26m in new shares to Mr Ryoei Saito, honorary chairman and art collector. He will pay Y1,900 a share on September 28. The allotment will raise his equity stake to 3.81 per cent from 1.45 per cent.

The share allotment will increase Daishowa's outstanding shares to 319.4m, raising its capital to Y31.6bn. Daishowa said it would use Y8.1m to repay debts, and the remaining Y1.8m as operating funds.

● Industrial Bank of Japan plans to freeze its local branch network after setting up a new branch in Chiba in central Japan next year, Reuter reports from Tokyo.

IBJ, Japan's biggest long-term credit bank with 30 domestic branches, also said it was considering consolidating a part of operations of its overseas branches in an attempt to increase efficiency.

As a first step, it may ask its New York branch to integrate some activities of its five US branches such as mergers and acquisitions and leasing.

Besides New York, IBJ has branches in Chicago, Los Angeles, San Francisco and Atlanta.

UK food group rises 4.1% in first period

By Maggie Urry

A GLUT of fresh produce in Europe and weakening demand for frozen foods was blamed by Perkins Foods for interim pre-tax profits only 4.1 per cent higher at £10.9m ($21.88m).

The group, which trades or makes fresh, chilled and frozen foods, is one of the first food companies to report on a period expected to have seen trading conditions worsening and profits under pressure.

The glut of fresh produce began to be felt towards the end of the first half, and the company said the impact was worse in July and August when prices fell by about 20 per cent.

The market for frozen foods was difficult, the company said, and demand in Germany was softening. Profits fell in the group's mushroom business which, like other companies in the sector, has been under pressure since 1990.

Perkins, which had expanded rapidly through acquisitions mainly financed through issues of shares and convertible securities, suffered a fall in fully diluted earnings per share from 5.1p to 4.8p. The interim dividend was held at 1.7p.

Mr Howard Phillips, Perkins' chief executive, said that the group was no longer looking for acquisitions but was concentrating on organic growth, based on finding new products and new customers.

He said this change in strategy was "realistic" in the light of the fall in the share price from around 150p early in the year to 64p yesterday.

Group sales rose 42.6 per cent to £176.3m due to a number of acquisitions.

Operating profits were 23.1 per cent higher at £11.4m, but would have been down 4 per cent if acquisitions were excluded. There was a £1.7m swing to interest payable of £445,000. Mr Ian Blackburn, finance director, said that interest cover was 25 times, but was 5 times if charges on the convertibles were taken into account.

The company that admits it made mistakes

Kenneth Gooding looks at how Outokumpu is coming to terms with its record loss

It is still unusual for senior managers of large companies to admit mistakes publicly without being forced to do so. But Outokumpu, the Finnish metals and mining group, owns up in its latest annual report. New chairman, Mr Jyrki Juusela, says: "We did not react to change quickly enough."

Consequently, Outokumpu last year suffered the biggest loss in its long history. The setback has come at an unfortunate time because Outokumpu is being lined up for sale to international investors.

Next January, non-Finnish investors will for the first time be able to buy Outokumpu shares. And the Finnish government has passed legislation to enable the state's 57.5 per cent shareholding to be reduced to 30 per cent when market conditions improve.

Mr Juusela hopes that in a year or so Outokumpu's shares will be quoted on the London and New York stock exchanges as well as in Helsinki, where employees and some domestic institutions have been able to trade them since October 1988.

Like most of Finland's business leaders, he hopes that by 1995-96 his country will be a member of the European Community and that its trade barriers will be down and capital will flow more freely across its borders. "I believe, for example, that Japanese investors would then be more willing to invest in Finland. We need such investment for the economy to grow. The capital generated in Finland is not enough."

Mr Juusela's appointment as chairman and chief executive in January was sudden but it had nothing to do with the fact that Outokumpu had reported record losses of FM768m ($191.3m) on sales of FM12.6bn for 1991. It was because his predecessor, Mr Pertti Voutilainen, was snatched away by the government to become chief executive of Kansallis-Osake-Pankki, Finland's largest commercial bank and state-owned, which had run into severe troubles.

While Mr Voutilainen was president and subsequently chairman, Outokumpu became one of the world's biggest integrated multi-metal companies. Its size tripled in the 1980s, mainly through vigorous acquisition activity. This strained its financial resources because the Finnish government was not willing to provide much extra equity funding.

Mr Juusela points out there will be no jolting changes of direction following his appointment. He has spent his entire working life with Outokumpu and for the past five years has been on the board.

He says: "We are taking fewer risks, mainly for financial reasons. We are concentrating on those areas where we think we are good and stepping out of those businesses where we are not so good." It will take two or three years more to reshape the group, he suggests. But Outokumpu will stick with its present four division structure developed during the past five years: base metals production; copper products; stainless steel; and technology.

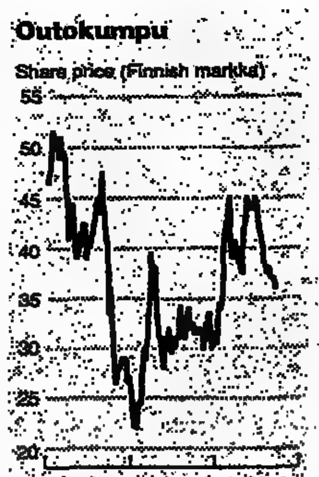
Copper products present the group with its biggest headache. Outokumpu has assembled one of the world's biggest copper semi-fabrication businesses and is probably the only global player in this highly competitive industry where there is substantial over-capacity.

Mr Juusela says: "Perhaps we grew too fast in copper semis. But with acquisitions you must seize the opportunities when they come along." For example, Outokumpu had intended to restrict expansion to Europe at first but then it had the chance to acquire (for about $200m) American Brass, the second-largest copper semi-fabricator in the US with a 20 per cent market share. Mr Juusela says: "The only problem is that we bought it just before the US market went into recession. Apart from that it has done very well."

In fact, he says that only five of the 25 profit centres within the copper products division are loss makers – "but those losses are very large".

Mr Juusela says: "The [copper semis] market changed. The growth in demand was not as great as predicted. Competitors did not drop out as fast as we expected. There are many small plants close to individual markets and reconstruction of the industry is taking longer than we anticipated. We were too optimistic about the shape of the business."

To stop the losses Outokumpu has shut down its hot and cold rolling operations in Sweden and has moved out of rolled products in Spain, where it bought Iberica del Cobre (Ibercobre) in 1989. The group is setting up a joint venture with SMI, the Italian company, to merge some of their copper semi-fabrication operations in Spain and negotiations are going on with the Spanish authorities and banks about Outokumpu's remaining copper semis operations in that country. These should be concluded by the end of this year.



Outokumpu has allocated FM150m towards the cost of restructuring the copper semis operations but Mr Juusela remains convinced that the copper semis business "will be healthy in the 1990s".

Losses are flowing from the technology division which has an array of embryonic companies involved in special services and frontier-type technologies associated with Outokumpu's mainstream operations but is suffering from a lack of orders.

Action is being taken to merge some of the technology operations with other companies both inside and outside Outokumpu.

Mr Juusela says Outokumpu's capital spending will remain at its normal rate of about 10 per cent to 15 per cent of group sales. In the immediate future most will be spent on developing new copper projects in Chile and nickel projects in Australia.

Equity represents only 20 per cent of Outokumpu's total assets today. The group aims to lift this to 30 per cent in two to three years, "but to be healthy it needs to be between 40 and 50 per cent", Mr Juusela insists. Only when the balance sheet is in good order will the group spend some more risk capital. "The most important thing is for us to make a good profit."

He looks for a 15 per cent to 20 per cent return on capital employed over the business cycle. Last year it was a lowly 1.9 per cent, down from 4.5 per cent in 1990.

Mr Juusela says that the bottom of the recession for the group was reached in 1991. "Our markets in the US are now quite good. German metals consumption is still holding up." Outokumpu made a profit in the first four months of 1992 – it reported income before extraordinary items of FM3m – and "it doesn't look too bad for the rest of this year".

Dassault says aircraftmaker in difficult times

MR SERGE Dassault, the chairman of French aircraft manufacturer Dassault Aviation, said that the company was experiencing a difficult period, but that recent restructuring measures and an order book equivalent to three years's revenue made him hopeful for the future.

"We can manage until the first orders come in for the Rafale and the Falcon 2000, around 1995," Mr Dassault said. "The situation would have been catastrophic had we been indebted – which isn't the case – and if we hadn't anticipated workload problems," he added.

Last year, the state-controlled aerospace group saw net profit drop to FFr263.9m ($55.20m) from FFr374.2m a year before. Last June, Dassault said 1992 revenue was likely to be little changed from the FFr14.35bn posted for 1991.

He dismissed rumors of an eventual rapprochement with state-owned Aerospatiale, another aircraft producer.

COMPANY NEWS IN BRIEF

● Wagons-Lits, Franco-Belgian subsidiary of Accor, has formed a joint venture with the Italian state railroad to operate night trains, AP-DJ reports from Paris.

The joint-venture, to be called Treni Notturni (Treno), will begin operating in January 1993 and will operate and market the existing overnight train service in Italy in addition to future hotel-trains.

The companies will create an investment company to which both parties will contribute their own rolling stock.

The new venture is expected to carry 11m passengers on 1,600 cars in the first year of operation. Estimated revenues will be L750bn ($6.7bn).

The move will help the Italian railroads rationalise their night train service cutting costs significantly.

● Mr Hans Rausing, a member of the family which founded and owns Tetra Pak, Sweden's large packaging company, will step down as chief executive when the company joins operations with Alfa-Laval on January 1, 1993, Reuter reports from Stockholm. He will remain chairman of the group.

Mr Lars Hallden, president of the Alfa-Laval group, is appointed new chief executive to the group, named Tetra Laval Group. The group will have a combined turnover of $8.5bn in 1992. Tetra Pak bought dairy and food processing group Alfa-Laval in 1991 for $2.5bn. The two have been operating separately pending a decision to merge operations.

INTERNATIONAL COMPANIES AND FINANCE

Sime Darby lifted by Hong Kong operations

By Kieran Cooke in Kuala Lumpur

SIME Darby, the Malaysia based conglomerate that has grown into one of the region's leading multinationals, has announced pre-tax profits for the year to June 30 of M$755.4m (US$303m), an increase of 11 per cent on the previous year's figure.

Turnover was also up 11 per cent at M$6.19bn.

The group has recommended a final gross dividend payment of 14.5 sen per share.

Once largely plantation based, Sime Darby has diversified not only into other sectors of activity within Malaysia but has made substantial investments in the region. Sime's biggest cash earner was its operations in Hong Kong, where it is the main automotive and heavy equipment distributor.

The group's pre-tax profits in Hong Kong were M$142m against M$94m a year earlier. "Sime Darby in Hong Kong benefited from the booming economy in South China and became the highest profit earner in the group," the company said.

"In spite of the new airport project being further delayed, the mood and business climate remains bullish."

Sime's property division also performed strongly with pre-tax profits of M$112m against M$93m. The group says the outlook in the Malaysian housing sector remains good, although it is reviewing operations in condominium projects, where there could be over-supply problems.

Pre-tax profits in plantations almost doubled to M$51m mainly due to an increase in the price of palm oil.

Sime, long known as one of the more conservatively run groups in Asia, has benefited from the steady if unspectacular spread of its businesses throughout the region.

It has gained from the 8 per cent plus growth rates of the economies of Malaysia and Hong Kong, which has balanced out lower growth in Singapore, the Philippines and Australia.

While analysts are still concerned about the under-utilisation of Sime's large amounts of capital, they feel that the recent acquisition of the Caterpillar Tractors franchise in Australia plus its tie-up with the Axa group, one of the world's leading insurers, will lead to further growth in the years ahead.

The Sime board's forecast was, however, couched in typical conservative language. It said that as a world recovery was as yet barely visible and remained a matter of conjecture, it was difficult to be too optimistic about the future.

The board hoped the group would at least be able to maintain last year's level of profitability, but it would be prudent not to expect too much in a global situation still clouded by uncertainty.

Uneasy peace reigns at Thailand's national airline

Victor Mallet on the fragile rehabilitation by technocrats of a company accustomed to military control

With less than a week before Thailand's general election on Sunday, the caretaker government yesterday wrested control of Thai Airways International (Thai), the partially privatised national airline, from the air force and installed its own nominees on the board.

An extraordinary shareholders' meeting at Thai headquarters yesterday proved a victory for the technocrats who want the airline, capitalised US$3.5bn, to be more professionally managed.

Stockbrokers and Thai executives believe it will take time to put the troubled company back on a sure footing.

The vote, and subsequent board meeting, which elected Mr Pandit Bunyapana, the finance ministry permanent secretary, chairman and Mr Chatrachai Bunya-Ananta, Thai's marketing chief, president, followed a dramatic and sometimes farcical few weeks of public resistance from the senior air force officers who have made Thai their fiefdom.

Air Chief Marshal Weera Kitchathorn, the president ousted yesterday, had signed a resignation letter prepared for him by the government and then retracted it.

Air Chief Marshal Gun Pimarnthip, previous chairman of the board, had infuriated the government by abruptly closing an earlier meeting designed to replace the directors. Even yesterday's meeting faced a vain, last-minute legal challenge from shareholders complaining that 14 days' notice had not been given. Neither of the two air chief marshals attended.

When the general meeting ended yesterday, the shareholders crowding the conference room applauded. The old board was voted out with 1.3bn shares in favour of the move – most of them representing the finance ministry's 93 per cent stake – and only 7,000 against.

Thai shares closed up Bt2.5 at Bt63 yesterday, having risen 22 per cent during the past week, in response to government action against the air force. That topped the Bt60 price at which the first 7 per cent tranche of the company was sold to the public earlier this year.

Two clouds, however, hang over Thai's new board.

The first is that a coalition government emerging from next Sunday's general election might be sympathetic to the military and yield to attempts by the air force to regain control of the airline.

Air Chief Marshal Gun was quoted as saying last week that the air force would bow to pressure for the moment, but "we will change it later".

Air force officers are also

Panyarachun: prayers for reduced military influence answered

thought to be behind corruption charges which have been levelled at Mr Chatrachai, the new president, and which will weaken his authority until an investigation is concluded.

The second and more immediate worry is that the new board, however professional, will find it difficult to return Thai to healthy profitability.

Thai has previously massaged its profit figures by selling aircraft and leasing them back, and stockbrokers suspect it was planning to do the same this year. Such ploys make its figures difficult to interpret, but one stockbroker estimates that net profits for the year to September 30 will reach only Bt2.4bn, well below the company's forecast and the previous year's Bt3.5bn (US$139m).

Morale among the 18,000 employees has been affected by the crash in July of a Thai Airbus bound for Kathmandu, in which all 113 passengers and crew were killed, and by the disagreements between supporters and opponents of the air force; most of the 500 pilots of Thai nationality are former air force personnel.

At a news conference yesterday, Mr Pandit announced plans to tighten financial controls at the company, to improve the airline's international image, and make decisions more transparent. Unnecessary investments, he said, would be postponed and the performance of various divisions closely monitored.

Mr Pandit said all airlines had suffered in recent months, but insisted that Thai was operating profitably.

Thai's performance, however, remains bound up with politics. Occupancy rates plunged and flights were cancelled when troops shot dead at least 50 pro-democracy demonstrators on the streets of Bangkok in May and frightened away thousands of tourists.

Air Chief Marshal Kaset Rojananil, then supreme military commander and chairman of Thai by virtue of being the air force chief – in accordance with the company's old articles of association – was widely held responsible for the killings.

When an interim civilian government was appointed by royal decree in June to defuse the political crisis, Mr Anand Panyarachun, prime minister, moved quickly to reduce the military's influence in politics and business. That included enterprises controlled by the state (such as the telecommunications authorities) and Thai.

In theory, the finance ministry, as holder of most of the shares, could have done what it wanted with the company at any time.

In practice, Thai was always controlled by air force officers with few business qualifications, even if the day-to-day running of the company was usually handled by professionals.

It was left to Mr Anand and Mr Nukul Prachuabmoh, his combative transport and communications minister, to demilitarise Thai. They did so yesterday, but until the airline is fully privatised, the risk remains that Thai may again fall victim to greedy politicians and military men.

Asked what there was to stop a new government reversing the board revolution at Thai yesterday, a senior executive said: "Nothing."

Indonesian banks hit by capital requirements

By William Keeling in Jakarta

INDONESIA's quoted private banks have published generally poor half-year results due partly to financial restructuring to meet higher capital adequacy requirements.

In March the government enforced a capital adequacy requirement of 5 per cent, to be raised to 7 per cent by next March and 8 per cent by December 1993, in accordance with Bank for International Settlements guidelines.

To meet the requirement last March, some banks moved substantial funds into central bank certificates, which attract a zero capital adequacy weighting, as against customer loans, which carry a 100 per cent weighting.

The result, however, has been a loss of interest income. Central bank certificates offer interest at about 17 per cent, substantially below customer lending rates of 25 per cent, and lower even than average deposit rates of 19 per cent.

In the most extreme case, Bank Duta increased funds held with the central bank 254 per cent to Rp292bn (US$143m) on the year-earlier period and showed an 11 per cent fall in interest income to Rp215bn.

Bank Duta's total loan portfolio contracted 11 per cent to Rp1,750bn over the same period of 1991, although its cost of funds rose 6.4 per cent to Rp198bn. It announced a fall in operating profits in the first six months to Rp6.6bn from Rp13.7bn in the same period of 1991.

Brokers regard the interim operating profit as a better indication of performance than the net profit figure, because most banks delay making sufficient provision for bad and doubtful debts until the second half of the year.

While profits have fallen, brokers note the higher capital adequacy requirement will improve the long-term health of the banking sector.

Bank Danamon announced a fall in operating profit from Rp21bn to Rp18bn, although it increased its loan portfolio 43 per cent year-on-year to Rp3,105bn.

Bank Internasional Indonesia's operating profits dropped 16 per cent to Rp56bn, although it increased its loan portfolio 28 per cent to Rp3,212bn year-on-year. Brokers said it had provided for bad debt and were optimistic on improved full-year figures.

Bank Niaga's operational profits for the half year to June fell to Rp2.3bn from Rp13bn with the loan portfolio remaining static at Rp2,470bn.

Bank Bali bucked the trend by increasing operating profits 18 per cent to Rp40bn, although brokers regard provision for bad debt at just 0.5 per cent of the its loan portfolio as insufficient.

● The World Bank has approved a $300m loan to provide new capital for five of Indonesia's state-owned banks. The loan is to assist the banks in reaching higher capital adequacy targets.

Boral cuts payout as profits slip

By Bruce Jacques in Sydney

THE directors of Boral, the Australian building products and engineering group, have been forced to cut the annual dividend to 16 cents a share from 20 cents, after a 28 per cent fall earnings for the year to June.

Net profits fell to A$151.98m (US$108.5m) from A$211.37m on a 5 per cent fall in sales to A$3.77bn from A$3.98bn. The cut in dividend will avoid the company covering the payout from reserves, which will fall to A$148.5m from A$179.4m.

Despite the lower result, the directors said there were signs of improvement for the current year. They forecast a modest improvement in earnings, despite the disappointing Australian and US economies.

The directors said the construction of non-domestic buildings in Australia was likely to fall further and no early recovery was foreseen in the UK building market. However, the company expected a bigger earnings contribution from mainland Europe.

The company's north American and European subsidiaries incurred small losses while pre-tax earnings in Australia fell to A$359.9m from A$472.8m.

A divisional breakdown showed the housing products area was the company's best, lifting pre-tax earnings to A$149.2m from A$105.5m. Construction materials profits fell to A$134.4m from A$205.8m.

The overall result showed net profits of A$121.4m compared with A$122.2m. Depreciation rose to A$186.2m from A$177.8m while interest expenses fell to A$96.8m from A$121.8m.

Australian TV network ahead

NINE Network Australia, a television network controlled by Mr Kerry Packer, the Australian businessman, through his Consolidated Press Holdings group, yesterday reported a 101 per cent rise in net earnings to A$60.5m (US$43.20m) for the 12 months to June 30, from A$30.1m a year earlier, agencies report from Sydney.

Sales were 10 per cent ahead at A$519m, against A$470.8m a year earlier.

Earnings per share advanced to 19 cents from 3 cents, and although the company is again not paying a dividend, it announced a one-for-20 bonus issue which represents a payout of 17 cents a share. During the year the company had a one-for-five share consolidation.

At the year-end, net tangible asset backing per share was A$2.28 compared with A$2.10.

Sasol advances 11%

SASOL, the South African synthetic fuel and chemicals producer best known for turning coal into oil, yesterday announced an 11 per cent rise in net profits to R1.15bn ($410m) for the year to June 25, from R1.04bn a year earlier, agencies report from Johannesburg.

Earnings per share advanced by 9.4 per cent to 202 cents from 184.7 cents and the annual dividend is being raised by 9.1 per cent to 78.0 cents from 71.5 cents.

Turnover moved ahead by 3.8 per cent to R7.85bn from R7.56bn. Tax took R359.7m compared with R470.1m.

The group yesterday said it hoped to at least maintain earnings in its current year, while new projects should help it achieve real growth from 1993/94 onwards.

It said all divisions had embarked on a cost-cutting programme since no significant growth contribution could be expected from commissioning new projects in the current year and in view of possibly stagnant rand prices.

Since almost all the group's local and export prices were determined in US dollars, the rise of the rand against the dollar recently was affecting revenue and profits, it said.

International petrochemical prices would also influence results. "Since chemical prices have weakened to the point where many leading international producers cannot fully recover cash costs, we do not expect prices to deteriorate any further," it said.

The group announced the go-ahead for three new projects worth R670m, bringing the value of projects approved and not yet commissioned to R3.5bn.

North Broken Hill posts 30% fall for year

By Bruce Jacques

INDUSTRIAL problems helped to send North Broken Hill Peko, the Australian mining and forestry group, to a 30 per cent fall in net earnings for the year to June, although the annual dividend is being held at 11 cents a share.

The company yesterday announced a fall in net profits to A$84.2m (US$60.1m) from A$119.9m, on a fall in sales to A$1.54bn from A$1.64bn.

The directors said about half the fall in earnings was attributable to industrial action at the company's Burnie pulp mill in Tasmania which cost about A$12m before tax and abnormal losses of about A$8.6m.

The balance of the fall in earnings reflected a slide to A$161.7m from A$181.9m in the contribution from Energy Resources of Australia, the company's 68 per cent controlled uranium mining operation.

The directors said the world recession would continue to affect results. "Reduced steel production in Japan and Europe is expected to affect demand and prices for iron ore, but this trend will be offset, at least in part, by ongoing cost reduction at Robe River," they said.

"Recovery in the uranium market is not likely until 1994 or later."

The result was after tax of A$67.8m compared with A$53.9m, while net interest took A$66.9m against A$86.1m.

Allied steps up strategy of expansion in China

By Simon Davies in Hong Kong

ALLIED Group, the Hong Kong conglomerate at the centre of a corporate fraud investigation, is proceeding with its aggressive moves into China. It has taken a 30 per cent stake in US$30m resort development in Manchuria.

That follows news last week that Allied had placed out 10 per cent of the company to the Fujian provincial government, despite the uncertainty surrounding Mr Lee Ming Tee's group of companies.

In the latest acquisition, Allied has taken a stake in China International Allied Yacht Club, a joint venture with a Mainland company which holds the only licence for operating yacht clubs in China.

Initially concentrating on the Golden Stone Beach resort in Dalian, in the northern province of Liaoning, the joint venture company will also examine feasibility studies for resorts in Shinhuangdao, Qingdao, Xiamen and Zhuhai.

Mr Lee has said he intends to invest up to HK$5bn (US$646m) in China within the next three years, so that more than 50 per cent of the company's assets would be across the border.

A spokesman for Allied said the ongoing investigation into share dealings in the Allied group and related companies did not affect the group's assets and would not have any impact on its operations, or expansion plans.

Poseidon Gold unit in powerful return to black

By Bruce Jacques

COMPANIES in the Poseidon Gold group, the Australian mining empire controlled by Robert de Crespigny, have reported mixed results for the year to June.

Poseidon Gold, the main group operating company, made a strong return to the black after a big loss last year, mainly induced by a A$194m asset write-down. In the latest year, the company turned a A$202.2m (US$144.40m) loss into a A$49.2m profit on a 50 per cent increase in sales to A$675.1m from A$449.2m. The annual dividend has been raised to 9 cents a share from 5 cents.

The results were improved by the inclusion for the first time of results from ACM Gold, acquired by Poseidon in April. Mr de Crespigny said the result was achieved despite weakness in the gold price.

Poseidon's equity share of gold production more than doubled to 890,059oz from 437,155oz. During the year the company raised its stake in Mt Leyshon Gold Mines to 75.6 per cent from 44.6 per cent, but Mt Leyshon's earnings fell to A$17.6m from A$30.2m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 08/09/92: Pool purchase price £/MWh	Firm Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.70	18.00	18.00
0100	17.70	17.71	17.71
0130	17.70	17.71	17.71
0200	17.70	17.71	17.71
0230	17.70	17.71	17.71
0300	17.70	17.71	17.71
0330	17.70	17.71	17.71
0400	17.70	17.71	17.71
0430	17.70	17.71	17.71
0500	17.70	17.71	17.71
0530	19.21	17.71	17.71
0600	17.63	17.71	17.71
0630	17.70	17.71	17.71
0700	17.79	20.02	22.90
0730	23.68	20.72	23.59
0800	23.83	24.65	27.65
0830	26.62	24.95	27.82
0900	26.66	26.50	29.48
0930	28.16	28.05	31.04
1000	28.16	28.07	31.05
1030	28.15	28.08	31.06
1100	26.70	27.20	30.14
1130	28.76	28.18	31.13
1200	28.24	28.18	31.17
1230	28.21	28.16	31.14
1300	28.68	28.10	31.06
1330	25.87	27.13	30.06
1400	25.84	27.11	30.04
1430	25.44	25.98	28.88
1500	25.26	25.98	28.88
1530	25.27	25.98	28.88
1600	25.30	25.96	28.84
1630	[illegible]	25.15	28.01
1700	28.24	24.98	27.80
1730	28.21	25.15	28.00
1800	28.13	25.15	28.01
1830	25.28	24.65	27.53
1900	[illegible]	24.20	27.09
1930	21.68	24.20	27.10
2000	24.19	21.00	21.00
2030	28.02	21.00	21.00
2100	28.02	25.62	28.56
2130	28.01	28.38	31.37
2200	24.18	28.39	31.37
2230	24.18	25.62	28.56
2300	21.68	22.53	25.41
2330	[illegible]	21.65	24.52
2400	17.76	20.02	22.86

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

INTERNATIONAL CAPITAL MARKETS

Bundesbank rate pledge restores confidence

By Sara Webb

THE Bundesbank's pledge not to raise German interest rates any further gave a strong boost to the main European government bond markets yesterday.

GOVERNMENT BONDS

Speaking at the weekend meeting of European Community finance ministers in Bath, Mr Helmut Schlesinger, the Bundesbank president, said the German central bank would not increase its interest rates "in present circumstances".

His statement was greeted with relief by the European bond markets and the German and French markets rallied strongly when trading opened. "The markets feel more comfortable now, and we've seen some outright buying of European government bonds," reported one dealer.

German 10-year bonds continued Friday's strong advance, with the yield on the 8 per cent bund due 2002 falling to 7.76 per cent, the lowest level seen so far this year, before closing at 7.78 per cent. The Liffe bund futures contract climbed to a high of 89.63 but prices drifted back later in the day and the futures contract ended at 89.24.

Dealers said the bund market appeared to have absorbed last week's tender of DM2.31bn of the Unity 8 per cent 2002 bund. News of further issuance – the Treuhand's forthcoming DM8bn to DM10bn bond issue – had little impact on the bund market.

The government agency, which is charged with privatising former East German businesses, will issue 10-year bonds, with the first tranche due to be placed next Tuesday via the traditional federal bond consortium.

■ Elsewhere in Europe, the French government bond market rallied on bullish sentiment over German monetary policy and on the French referendum on the Maastricht treaty.

On the Matif futures exchange, the September bond futures contract climbed as high as 107.02, before drifting back to close at 106.66, up 0.16 from Friday.

Dealers said the French market was also boosted by a couple of favourable opinion polls showing increasing support for European economic and monetary union at the weekend. The latest opinion poll, released yesterday by the French magazine VSD and the Louis Harris polling firm, showed that 59 per cent of French voters who have made up their minds will vote in favour of the treaty in the September 20 referendum, while 41 per cent will vote against.

The yield on the 10-year French government bond, the 8½ per cent bond due 2002, ended at 8.76 per cent, against its opening level of 8.77 per cent.

■ Long-dated UK government bonds continued to out-perform shorter-dated issues yesterday following last Thursday's announcement that the government will borrow the equivalent of Ecu10bn to support sterling and finance government spending.

Long-dated gilts remain the chief beneficiaries of the government's decision as more than half of the government's funding in the gilt-edged market this year has been in long-dated issues: the borrowing plan is therefore seen as removing funding pressure at the long end of the market.

The 9¾ per cent gilt due 2002 rose from 103½ to trade at 103⅝ by late afternoon, yielding 9.18 per cent.

■ Japanese government bonds rallied strongly, with the futures contract climbing to a new high on hopes of a cut in Japan's official discount rate and the covering of short positions. Dealers said market expectations of a cut in Japanese interest rates increased after Friday's easing by the US Federal Reserve. The Fed relaxed monetary policy by signalling a quarter point cut to 3 per cent in the Fed funds rate, prompting a rally in the US Treasury bond market which fed through to the Japanese market yesterday.

The key futures contract traded in a range of 106.10-106.20 for much of the day and then rallied sharply to reach a new high of 106.70 before closing at 106.65. The contract ended at 105.55 on Friday.

Some dealers suggested the Bank of Japan may decide to cut interest rates soon. The government recently announced a Y10,700bn fiscal spending package, but dealers point out that this week's *Tankan* report – the Bank of Japan's quarterly survey of business sentiment – is expected to show that the Japanese economy is still in a weak state.

The yield on the benchmark No 145 moved from 4.855 per cent at the opening to close at 4.79 per cent. Short-term interest rates slipped, with the rate on three-month certificates of deposit dropping to 3.80 per cent from 3.86 per cent on Friday.

■ The US markets were closed yesterday for the Labor Day holiday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.2219	+0.624	8.76	8.75	8.41
BELGIUM		8.750	06/02	99.2500	+0.450	8.88	9.08	9.00
CANADA *		8.500	04/02	109.5000	-0.200	7.11	7.40	7.38
DENMARK		9.000	11/00	96.6600	+0.500	9.60	9.75	9.41
FRANCE	BTAN	8.500	03/97	97.1917	+0.124	9.28	9.61	9.33
	OAT	8.500	11/02	98.2400	+0.470	8.76	9.11	8.97
GERMANY		8.000	07/02	101.4250	+0.236	7.78	7.89	8.03
ITALY		12.000	05/02	91.6000	+0.430	14.04†	13.89	13.46
JAPAN	No 119	4.800	06/99	100.7478	+1.181	4.65	4.74	5.12
	No 145	5.500	03/02	104.5444	+0.340	4.80	4.94	5.21
NETHERLANDS		8.250	06/02	100.0300	+0.130	8.24	8.33	8.37
SPAIN		10.300	06/02	86.6000	-0.250	12.31	12.79	12.01
UK GILTS		10.000	11/96	101-14	-2/32	9.55	9.96	9.58
		9.750	08/02	103-17	+1/32	9.18	9.64	9.29
		9.000	10/08	100-16	+16/32	8.94	9.34	9.04
US TREASURY *		6.375	08/02	99-29	+2/32	6.39	6.64	6.56
		7.250	08/22	99-26	+8/32	7.26	7.43	7.38
ECU (French Govt)		8.500	03/02	94.5700	+0.670	9.33	9.63	9.39

London closing, *New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Difficult times for US private placement market

Patrick Harverson looks at the sharp decline in privately issued securities

The boom in US public stock and bond issues over the past year and a half has made Wall Street underwriters and corporate finance officers happy, but it has exacted a heavy toll on the market for privately placed debt and equity.

The volume of corporate debt and equity placed privately with investors in the US has fallen sharply since last year. In 1991 private placements in the US fell 14 per cent to $110.4bn, according to IDD Information Services in New York. That rate of decline has accelerated this year. The $42.3bn issued in the first six months of 1992 was almost 20 per cent below the same period last year.

The slump in the private market contrasts with the public market, where the lowest domestic interest rates for 30 years have lured companies to the US debt and equity markets in record numbers – $437.1bn was raised via bond and stock sales in the first six months of this year alone.

The only consolation is that the downturn in private placements would have been worse but for a big increase in the number of foreign companies tapping the US private market – between January and the end of June overseas issuance rose 40 per cent to $15.6bn. Rule 144a had a lot to do with the rush of foreign issues. Introduced in 1990, Rule 144a exempts big US investment institutions from registering privately issued securities with regulatory authorities, making it much easier for foreign companies to sell their securities to US investors.

UK issuers were the most active users of the US private market, led by well-known names such as Pilkington and British Aerospace (which issued notes secured by its UK headquarters, the first deal from a non-US issuer secured by property).

US investors, hungry for better yields than currently available from domestic issues, have leapt at the chance to pick up foreign paper. Ms Dale Paulshock, managing director of private placements at Merrill Lynch in New York said: "With US rates so low, US private placement investors are now much more willing to take the time to look at non-US issuers than they used to."

The surge in foreign issuance aside, the sharp decline in privately issued securities is a consequence of the boom in the public markets, where corporate finance officers have been eager to take advantage of low rates and heavy demand for securities from institutional and individual investors. The favourable conditions persuaded many companies that might have previously tapped the private markets to issue public debt instead.

This trend has been noticeable on the equity side. During the first five months of this year initial public offerings (IPOs) of stock roared to record levels, while private equity issuance stagnated.

The reluctance of many institutions, especially the insurance companies which make up the core of the investing community, to lend to issuers rated below investment grade has been another factor behind the private market's malaise.

The new emphasis on credit quality, a hangover from 1990 when insurance regulators set stricter guidelines for the private sale of debt to insurers, has hit the private market hard. Often companies choose to raise funds through private placements because of their non-investment grade status, which makes it difficult for them to raise money in the public markets without paying a heavy price.

Investment-grade issuers, meanwhile, especially those from overseas that offer higher yields, have found conditions much more favourable, with a large supply of insurance companies, banks, pension funds and money managers willing to sign up for their paper.

Another factor troubling the private market has been the steepness of the yield curve. The huge spread between short-term and long-term interest rates has dissuaded many companies from issuing longer-dated securities. Yet the long end of the market is exactly where many insurance companies want to invest. Having turned away from the troubled property market, insurers are keen on long-dated paper, which provides them with a better match of their liabilities.

Yet, despite the gloom of the past year and a half, the outlook for the private placement market is improving. Ms Paulshock of Merrill Lynch said: "The level of inquiry about doing private placements is up significantly in the last couple of months, from both domestic and international issuers."

Ms Paulshock said many of the companies that adopted a "wait and see" approach during the past year while US interest rates were falling may now be ready to enter the fray. She said that as the US election day (November 3) nears, domestic and foreign issuers will be in a hurry to complete their deals before interest rates are buffetted by uncertainty over the voting.

The private markets may also benefit from a slowdown in public issuance, especially on the equity side. In the past two months the IPO market has run into trouble. Investors have become more choosy, and companies have been deterred from going public by the sight of large numbers of IPO issues trading at a discount in the stock market.

Several big companies have cancelled or postponed IPOs, and it is possible some of them may turn to the private market if conditions in the public arena remain unfavourable.

Ms Carla Harris, head of equity private placements at Morgan Stanley in New York, is another banker who has seen the number of deals coming across her desk increase since the IPO market ran out of steam. She believes the trend is positive for private placements: "So long as the public market continues to stay challenging, especially on the IPO side, it will be a boost to the private equity business."

Demand continues for dollar-denominated FRNs

By Richard Waters

LAST Friday's US interest rate cut gave further impetus yesterday to the stream of dollar-denominated floating rate notes with minimum coupons – although there were also reports in some quarters that the appetite for such instruments was finally drying up.

INTERNATIONAL BONDS

"The quarter point cut is really boosting demand for this product," commented one syndicate manager yesterday as both Crédit Foncière and the Swedish National Housing Finance Corporation (SBAB) issued FRNs with minimum and maximum coupons.

SBAB, a double-A credit, sought $100m with a minimum coupon of 5.25 per cent – two percentage points above current market rates.

However, even at that level, members of the syndicate reported some difficulty in selling paper.

This was put down in part to the fact that SBAB is a less well-known name than some others that have come to the retail-oriented FRN market in recent weeks.

However, some said it was a sign that investor interest in FRNs was weakening.

"This market is hit and miss to some extent – you identify a pocket of interest, and then everyone tries to rush into it," one observer said.

Crédit Foncière, meanwhile, returned to the market to raise $200m with a minimum coupon of 5 per cent and maximum of 10 per cent.

The deal, priced at 100.10, was reported to have sold reasonably well, although the long payment date was said to have dented some of the potential demand.

In the third deal of the day, Deutsche Bank returned to reopen a Canadian dollar issue for the third time, taking the total amount issued up to C$275m from C$225m.

Amid the flow of FRNs, the large fixed-rate dollar deal from LKB Baden-Württemberg, the German regional bank, due this week, will come as something of a novelty to the market.

"The market hasn't had a lot of fixed rate paper – if it's priced well, it should go alright," one observer commented.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Aux.Crdt.Foncier France(a)‡‡	200	(a)	100.10	2002	50/20	UBS Phillips and Drew
SBAB(b)‡‡	100	(b)	99.80	2002	50/25	Kidder Peabody
CANADIAN DOLLARS						
Deutsche Bank Fin.(c)‡‡	50	(c)	100.20	2002	50/20	Deutsche Bank AG

‡Floating rate note. ‡Final terms. a) Coupon pays 12.5bp below 6 month Libor. Coupon payable semi-annually. Minimum coupon rate 5%, maximum 10%. Subordinated issue. b) Coupon pays US$ 6 month Libid less 12.5bp. Coupon payable semi-annually. Subordinated issue. Minimum coupon rate 5.25%, maximum 10%. Borrowers full name, The Swedish National Housing Finance Corp. c) Coupon pays 30bp below 3 month Libor. Fungible with existing C$225m issue from 24/9/1992. Minimum coupon 5.875%, maximum 8.90%.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 7

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	109	+⅛	4.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINSBK 7 7/8 91 LFr	600	95	96		10.04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	37	27	11
Other Fixed Interest	6	4	5
Commercial, Industrial	265	253	903
Financial & Property	107	108	584
Oil & Gas	13	10	62
Plantations	1	0	8
Mines	14	38	96
Others	21	42	53
Totals	464	482	1,722

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+or-
100p	F.P.	-	110p	105½p	[illegible]	108½p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings Sept. 1
● Last Dealings Sept. 11
● Last Declarations Nov. 26
● For settlement Dec. 7

3-month call rate indications are also shown on this page.

Calls in Allied Leisure, Albert Fisher, Blacks Leisure, Stakis and Utd. Newspapers. Put in Gestetner.

LIFFE EQUITY OPTIONS

Option	Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	32	Hanson	15	Ratners	2½	Land Sec	32		
Allied-Lyons	43	Charter Cons.	40	ICI	78	Reed Intl.	41	MEPC	26		
Amstrad	4	Comm Union	42	Ladbroke	17	Sears	7	■ OILS			
Astec (BSR)	3	Courtaulds	33	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	12		
BAT Inds	54	Eurotunnel	32	Lex Service	18	TI	50	BP	16		
BOC	49	FKI	6	Lloyds Bank	31	TSB	11	Burmah Castrol	39		
BTR	32	FNFC	6	Lonrho	9	Tesco	17	Conroy Pet	6		
Barclays	24	Forte	17	Lucas Inds	10	Thorn EMI	51	Gaelic Res	[illegible]		
Blue Circle	18	GKN	31	Marks Spencer	22	T & N	11½	Premier Cons	2½		
Boots	34	Gen Accident	36	NatWest Bank	22	Unilever	70	Shell	[illegible]		
Bowater	58	GEC	17	P & O Dfd	38	Vickers	12	■ MINES			
Brit Aerospace	30	Glaxo	56	Racal Elect	6	Wellcome	70	RTZ	30		
British Steel	6	Grand Met	29	RHM	14	■ PROPERTY					
BT	25	GRE	13	Rank Org	42	Brit Land	17				

Electronics side behind Fairey's rise to £8.1m

By Paul Taylor

FAIREY GROUP, the diversified engineering company, reported a near-15 per cent increase, from £7.07m to £8.12m, in interim pre-tax profits – a rise underpinned by a strong performance in its electronics and electrical power businesses.

The improvement for the half year to June 30, achieved on turnover ahead some 12 per cent at £48.2m (£43.2m), resulted in earnings per share of 15.4p (13.3p).

As expected, the interim dividend is raised to 3.3p (3p).

The electronics and electrical power sector lifted operating profits to £5.08m (£3.68m) on turnover of £25.7m (£18.2m), helped by the contribution of LaserMike, acquired in August last year.

In contrast, operating profits in aerospace and defence fell to £778,000 (£1.05m) on turnover of £10.1m (£12.1m).

Mr John Poulter, chief executive, said the division's performance had been temporarily affected by the relocation of operations to a new site.

He said that sub-contract work for the Tornado was coming to an end and it remained unclear whether Saudi Arabia will order more Tornados.

However, he said the business was delivering steady results "despite difficult market conditions."

The filtration and specialised ceramics sector saw operating profits of £1.54m (£1.51m) on turnover of £12.4m (£12.9m).

Net cash at the period end stood at £14.8m, compared to £12.7m at end-December, and will be used for a continuing, selective acquisition programme.

In May, the group completed the acquisition of the minority in Arcom Control Systems.

In addition it acquired Zygo's US non-contact laser gauging activities in June. This business has annual sales of about $4m (£2m).

Since the end of June Fairey has also paid £10.3m in new shares for Infrared Engineering, a leader in the production of infrared technology-based measuring devices.

Infrared had sales of £7.3m in 1991-92.

● COMMENT

Since coming to market in November 1988, Fairey has enjoyed a positive cash flow resulting in a handsome cash pile. With additional small acquisitions expanding its range of products, a new Tornado order would be welcome but not crucial. Meanwhile, UK utilities provide a steady stream of orders and Fairey appears well positioned to take advantage of any upturn. Projected full year pre-tax profits of about £17m give earnings of 31p a share, putting the company on a prospective p/e of 12.6. The stock looks safer but less exciting on the upside than some other engineering plays.

Scholl advances to £12.3m

By Paul Taylor

SCHOLL, the personal healthcare products supplier, yesterday reported pre-tax profits ahead from £11.6m to £12.3m for the six months to June 30 after making a £420,000 provision for disposals costs.

The charge was made to cover estimated costs of disposing of a small retail operation in France and the planned sale of associated shops in Belgium and Luxembourg.

Turnover expanded to £85.8m (£82.9m) bolstered by £1.1m from two new acquisitions – the Scholl retail operations in Canada acquired in February from Schering Plough, and Gerard House, the UK-based herbal medicines business, acquired in May.

Mr Gordon Stevens, chairman, said trading conditions were poor in all main markets. "In the UK we experienced a 14 per cent increase in turnover in foot and legcare products despite continuing trade destocking which appears to be deepening in continental Europe."

Gross margins were maintained, but operating profits fell by some 8 per cent to £11.6m (£12.5m) reflecting increased promotional costs and R&D expenditure.

The decline, however, was more than offset by the effects of reducing working capital and a turnround in interest from charges of £874,000 to income of £1.1m from the proceeds of last year's rights issue.

An extraordinary gain of £1m represented the release of a provision previously held against the sale of the fashion hosiery business.

Since June the group has disposed of the Isabelle Lancray business, acquired as part of the Valdor cosmetics group in 1989, and said it would incur an £800,000 extraordinary charge in the second half.

The interim dividend is 2.6p (2.5p), payable from earnings of 10.4p (11.6p) per share.

Halls Homes back in the black

As foreshadowed in the annual statement Halls Homes & Gardens, the USM-quoted manufacturer of conservatories, garden buildings and home improvement products, moved back into the black in the first half of 1992.

Pre-tax profits of £529,000 compared with losses of £2.46m 12 months earlier, a figure which included exceptional provisions of £1.03m, and with a deficit of £7.53m for the full 1991 year.

However, trading in July and August had been below expectations and directors warned that it was now "likely the normally weaker second half will generate losses that will exceed the profits of the first half".

First half turnover rose by £1m to £12.7m and earnings per share emerged at 1.1p (losses 5.17p). There is again no interim dividend.

ASW dives into £2m loss and cuts interim by 33%

By Richard Gourlay

PRESSURE FROM continental European steel producers forced ASW Holdings, the Cardiff-based steel and wire group, into pre-tax losses of £2.1m and a 33 per cent dividend reduction in the first half.

Its share price yesterday fell 2p to a new low of 60p.

Mr Paul Rich, managing director, said operating margins had fallen by £30 per tonne in the last two years and were now at levels prevailing a decade ago, a situation that implied "negative price inflation in spades.

"Producers' balance sheets are becoming worse and worse in Europe," he said.

"I don't see how this can continue much longer. There are cash losses on other operations in Europe which may force the issue."

Losses in the six months ended June 30 turned round from a profit of £8.1m.

Sales were down £15.7m at £190.5m.

Losses per share came out at 4.2p (earnings 6.9p) and the interim dividend is cut from 4.5p to 3p.

ASW is one of Europe's lowest cost steel producers and has been among a number of UK-based steel and steel casting companies lobbying for measures to cut overcapacity.

During the period the group swung from a postion of net cash to net debt of £18m after acquisitions.

Despite the losses the group said the ASW steel businesses remained profitable activities. Volumes had been maintained in flat markets.

"What we have to do is to return the margins," said Mr Rich.

"Its ironical that we are saying if we can have 1982 margins we would be very happy indeed."

Hot under the collar over the dollar

A flood of cheap imports may result from falling US currency. Daniel Green reports

BRITISH TEXTILE and garment makers are facing another surge in competition from imports made cheaper by the falling dollar.

It comes just when they were hoping that their heavy restructuring programmes were paying off.

The message will be driven home in the next few weeks as the UK companies report their interim results. The figures should show that the cost-cutting of 1991 is bearing fruit.

But unless there is a sharp recovery in the dollar, they will be accompanied by warnings that Far Eastern countries with currencies tied to the dollar, such as South Korea and Hong Kong, are pricing Europeans out of the market.

At stake are more than just the remnants of a once great Old World industry. In recent years, manufacturers in the UK and elsewhere in Europe have been implementing a *strategy* to fight the drift of production to low cost countries. They cut a more expensive cloth and designed a more distinctive look. They automated distribution to fill shelves with their well-made, high margin goods. They invested to put fashions on the street sooner than Far Eastern competitors that are six weeks removed by ship.

EC employment in clothing manufacture last year was more than 750,000 and output passed $65bn.

The strategy is now at risk. The fall in the dollar has given rivals in the Far East a price advantage that allows them to sell to recession-hit customers at apparently unbeatable prices and quality.

"At two dollars to the pound, it is hard to see how anyone could have a profitable European base for clothing manufacture," says Mr Neville Bain, chief executive of Coats Viyella, the world's biggest textiles manufacturing company. "Even beyond $1.75, the UK and European industry has got some restructuring to do."

Men's standard shirt production cost (£ March 1992)

Germany	4.71
Italy (grey economy)†	3.81
rest	4.77
UK	3
South Korea	2.16
Taiwan	2.04
Mexico	1.95
Hong Kong	1.86
India	1.50
Czechoslovakia	1.26
Vietnam	1.32

†Accounts for at least two thirds of production

Source: Kurt Salmon Associates

His views are shared by Mr Klaus Steilmann, whose eponymous company is Germany's biggest clothing manufacturer. "The low dollar causes extreme pressure on German and European textile and clothing industries. Retailers are very cautious and are cutting back [orders] for spring 1993."

The currency question comes at a particularly sensitive time for the European industry as its strategy to move up market has just begun to bear fruit.

Take men's shirts. Management consultancy Kurt Salmon Associates estimates the cost of manufacturing a man's shirt in the UK as £3 and in Germany £4.70. With productivity differences taken into account, a similar shirt in South Korea costs £2.16. In Hong Kong, the figure is £1.86.

Not surprisingly, most men's shirts sold in the UK are imported. Over the past five years alone, import penetration has risen from 75 per cent to 85 per cent in volume terms.

But the rise was because UK manufacturers concentrated on expensive shirts. Import penetration of men's shirts by value rather than volume has been steady over the five years at about 50 per cent. It may even have fallen slightly, according to the British Clothing Industry Association.

There is evidence to suggest that the strategy has worked on a grander scale too.

Ronald Miller, chairman of Dawson International

Total import penetration by volume in the UK apparel market has steadied at about 50 per cent over the last 18 months, having risen from 30 per cent over the previous five years, according to BZW, the stockbroker. At the same time, the trade deficit in clothing has begun to shrink in real terms, although it still stood at £1.8bn for the first half of 1992.

Now clothing industry executives fear that the dollar's fall will make it hard not to lose ground once again. Already the the shirt manufacturing cost comparisons are out of date. Since Kurt Salmon Associates made its estimates, the dollar has fallen 16 per cent against sterling and 19 per cent against the D-Mark.

"The European currency bloc is ridiculously overvalued," says Mr Martin Taylor, chief executive of Courtaulds Textiles, the UK's second biggest textiles company. "Imports come in from countries with a dollar cost base like the Far East and you can't hedge against economic disadvantage. It's costing millions of pounds."

Unfortunately for textiles and clothing, a weak dollar has other effects that are also damaging.

Earnings from sales in the US, the world's biggest single market, shrink when translated back into European currencies. Dawson International, known for its Pringle and Ballantyne cashmere clothes, earns 60 per cent of group operating profits in the US.

"Unless one is lowing margins it's very difficult to do business there. We will have to take it on the chin," says Mr Ronald Miller, chairman. At $1.99 to the pound, he says, "there is no money in it."

European companies are not entirely defenceless. They know that clothing and textiles are more vulnerable than most industries to the vagaries of currencies because so much of its output is traded internationally. Only oil and agriculture are more important in international trade.

This means that most companies are international enough to survive. Many already have production in Asia or other low-cost centres: more than half Coats Viyella's sales, and 70 per cent of its profits, are generated by overseas subsidiaries.

European manufacturers can also look to protection from import quotas set by the multi-fibre arrangement (MFA), a catalogue of detailed bilateral deals that specify ceilings on trade in named garments. For example, last year Hong Kong was allowed to send to Germany a maximum of 9.3m "shirts, T-shirts, lightweight fineknot roll, polo or turtle necked jumpers and pullovers (other than of wool or fine animal hair), undervests and the like, knitted or crocheted".

A bureaucrat's employment scheme perhaps, but useful protection for European manufacturers.

European suppliers also have retailers on their side, at least for the moment. Relationships between retailers and manufacturers have taken years to build-up and the inertia to keep them together is strong.

"For us to change our source of supply, we have to have the quality and design guarantees," says Ms Liz Braun, buying director of men's and women's clothes at retailer BhS. And Marks and Spencer, the UK's biggest clothes retailer, insists: "There is no way we are going to change our policy as a result of the fall in the dollar. If people want to buy cheaper they can always go somewhere else."

Retailers may not be able to hold on to these view for long. Sales are hard enough to come by in a recession, and now even fashion is swinging against the European way of manufacture.

According to Ms Braun: "During the late 80s, paying a premium price was a cool thing to do. Now it's a cool thing to have value."

NEWS DIGEST

Frost up at £2.57m and shares rise

SHARES OF the Frost Group yesterday jumped 16p to 397p in response to doubled first half profits and an interim dividend of 5.5p.

The UK's largest independent petrol filling station operator was refloated on the main market at 235p a share last October since when it has increased the number of its sites from 79 to 122.

On turnover of £51.5m (£38.9m), pre-tax profits for the six months to June 30 rose to £2.57m (£1.26m). Earnings per share improved from 7.1p to 10.5p, covering the dividend 1.9 times.

Cost control behind advance at Hewitt

Close attention to productivity and control of costs helped Hewitt Group, the industrial ceramics and refractories maker, to stage a recovery.

In the first half of 1992 pre-tax profit came to £411,000, including a £98,000 gain on the sale of a fixed asset.

Turnover amounted to £3.74m (£3.56m). Earnings per share were 7.3p (3.8p) and the interim dividend goes up to 1.25p (1p).

Goodhead slips 6% to £721,000

Profits of Goodhead Group, which has interests in printing, paper, publishing and marketing services, declined by 6 per cent to £721,000 pre-tax for the year to May 31.

The result was in line with directors' expectations and came from turnover on continuing activities down 26 per cent at £40.3m.

Profits before tax were struck after a £1.05m reduction in net interest charges to £1.29m and exceptional charges of £257,000 (credit £660,000) for reorganisation.

Fully diluted earnings emerged at 1.3p (0.8p). The interim dividend was omitted but a 0.5p final is being paid – last year shareholders received an interim of 0.5p but no final.

Kynoch down at £380,000

Profits of Kynoch Group, a manufacturer of medical equipment, fell from £460,000 to £380,000 pre-tax for the half year to June 30.

Based on a full tax charge, earnings per share emerged at 1.6p (2.2p). That was 33 per cent ahead of the figure for the second half of 1991 and 14 per cent higher than for the opening half of 1991 after adjusting for the one-off profit arising from Gulf war related business and losses on the discontinued textile operation.

Turnover totalled £6.99m (£8.33m) and operating profits £463,000 (£573,000). Interest charges accounted for £83,000 (£113,000).

Burford shows 5% increase to £1.72m

Burford Holdings, the property investment and publishing group, increased first half profit by 5 per cent in the opening half of 1992.

The pre-tax figure came to £1.72m (£1.63m) on turnover of £4.61m (£4.93m). Property accounted for £1.56m (£1.44m) of profit.

Earnings per share were 0.97p (0.94p) and the interim dividend is 0.5p (0.45p).

Reflecting recent acquisitions, interest charges soared to £1.81m (£61,000) and should *be running at some £4.6m per* annum by December 31, Mr Wray stated.

Sharp decline to £0.35m at WSP

WSP Holdings, the consulting engineer, saw profits fall to £352,000 pre-tax in the six months to June 30.

The decline from the comparable £613,000 came on turnover of £5.01m (£5.27m).

The interim dividend is unchanged at 1.1p, payable from earnings of 2.4p (4p) per share.

British Vita ahead 11% at £27m

By Richard Gourlay

BRITISH VITA, the polymer, fibre and foam company with most of its sales in continental Europe, yesterday reported an 11 per cent increase in interim profits, after acquisitions, but reduced margins.

Pre-tax profits to end-June rose from £24.17m to £26.81m but the £22m increase in sales to £372m was all accounted for by acquisitions.

Earnings per share rose 0.2p to 7.9p after adjustment for last year's £73m rights issue. The interim dividend is lifted to 3.5p (3.45p).

The results were flattered by a sharp reduction in the interest charge as a result of the rights proceeds and a staunching of losses in a US associated company. At the operating level British Vita was marginally below 1991 levels, despite that period being affected by the Gulf war.

Mr Rod Sellers, chief executive, said there was little prospect of more than zero growth in the UK in the next year and businesses were aggressively fighting for market share.

Margins were broadly maintained in the industrial polymers division on sales marginally lower at £79m, helped by cost cutting in the UK.

About 18 per cent of the group's sales are into the auto industry but despite the low level of new car registrations, production in the UK remains fairly buoyant, Mr Sellers said.

About 60 per cent of group turnover is now produced and sold in continental Europe.

In cellular polymers, the group's largest business area, sales increased as a result of the addition of European and the US subsidiaries but margins were hit by increased losses of £2m in Spain and the drought-affected Zimbabwe where the group has a long-standing investment.

● COMMENT

British Vita's diversity, both in terms of products and spread through continental Europe, is a strength more UK-centric companies would do well to contemplate if a true single market is to become a reality. Even with European economies slowing there is little to support fears that British Vita has over-extended in Europe; few markets anywhere are, after all, in really good shape anywhere. On the other hand, with markets flat and the company pursuing a policy of cutting margins where necessary to protect market share, there is little prospect of any excitement. Indeed, British Vita will have to work hard just to stay put. For the rating to be revitalised, British Vita needs another acquisition for its respected management team to exploit. But shareholders should hope British Vita will remain cautious. With the proceeds of last year's rights tucked away in the bank, the company's greatest mistake could be to race into an acquisition. For the full year, the company is therefore heading towards £54.5m of pre-tax profits, or 15.8p of earnings, and a fairly priced prospective multiple of about 14.

Pressure on margins at Brammer

By Paul Taylor

BRAMMER, the industrial services company, blamed depressed business conditions for a 5.5 per cent drop in interim pre-tax profits from £4.47m to £4.22m.

Turnover slipped by 2 per cent to £56.1m (£57.1m) in the six months to June 30, and operating profits fell to £3.91m (£4.35m) while earnings per share fell by 7 per cent to 6.7p (7.2p).The interim dividend was unchanged at 4.5p.

The results reflected pressure on margins in the UK bearings and power transmission distribution business and tight margins in precision engineering services.

There was also a small operating loss in the Texas-based Master Pumps subsidiary due to the reduction in drilling activity. The ESE Rental business posted a small increase in turnover and flat profits.

Net cash balances at the end of June were £6.7m compared with £2.7m in mid 1991.

Since then Brammer has acquired Roulement Service, a Strasbourg-based bearing distribution business, for £7.3m cash, of which £1.1m is deferred, and assumed its borrowings of about £5.2m.

Purchases boost Perkins Foods

By Maggie Urry

ACQUISITIONS spurred a 24 per cent rise to £11.4m in interim operating profits at Perkins Foods, the fresh, chilled and frozen food manufacturer and distributor.

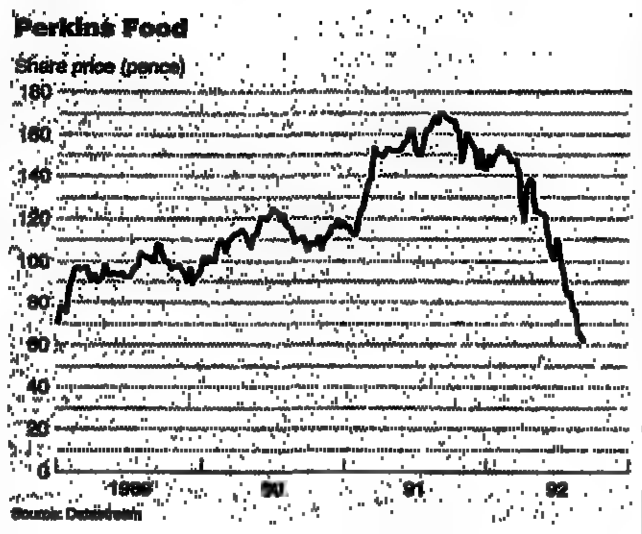
However, interest charges of £445,000 (receivable of £1.3m) left pre-tax profits for the six months to June 30 up just 4 per cent at £10.9m (£10.5m).

The group spent £20.6m on four acquisitions with up to another £17.4m of deferred consideration. It made three significant purchases in the last two months of 1991 and another in the first half of this year.

The two divisions unaffected by acquisitions suffered profit falls. Fresh produce saw profits down to £3.1m (£3.5m) as good growing conditions in Europe produced an over-abundance.

Prices began to fall sharply after the period end, falling 20 per cent in July and August. The division usually makes higher profits in the second half, but Mr Ian Blackburn, finance director, said that this year the two halves would produce about the same result.

Profits from the mushroom division fell from £889,000 to £583,000 and management changes are being made. Frozen foods profits rose 38 per cent to £6.5m, all the increase from acquisitions. Profits from chilled foods rose from £1.5m to £2.9m, with about two thirds coming from acquisitions.



● COMMENT

Now that the share price has ruled out acquisitions, Perkins will have to show it really can generate organic growth from its existing businesses. The 4 per cent decline on an acquisition-adjusted basis in the first half is not a good start, though other food companies may report even worse news. Sentiment has turned sharply against Perkins. Mistrust of the fresh produce business is likely to continue even after the current year's problems end. To hear that of four earlier acquisitions now past their earn-out deadlines, only one is performing well ahead of its earn-out profit target is hardly encouraging. There are still concerns over the deferred liabilities, especially if these are likely to restrain capital expenditure, and over the convertibles which now look unlikely to convert. Forecasts are for a fall in year pre-tax profits to about £23m (£24.3m) and an even greater slide in earnings per share. A prospective p/e of little over 6 is of less interest than the yield of 9 per cent on an unchanged dividend.

Barclays sells Allied Trust Bank to SA group

By David Barchard

BARCLAYS, the UK clearing bank, has sold Allied Trust Bank, a loss-making subsidiary of which it took full control in 1990, to Investec Bank, for £25m.

Allied Trust, formerly Allied Arab Bank, has total assets of about £300m.

Its head office is in Cannon Street, London, and it specialises in marketing retail investment products and lending to small and medium-sized businesses.

The purchase gives Investec, the fifth largest South African banking group, a presence in the UK for the first time and access to the rest of the European Community.

During the last year Allied Trust's interest rates on savings deposits have been among the highest available in the UK, and the sale will be a blow to those investors who flocked to it because it was owned by Barclays.

In 1989 the bank incurred pre-tax losses of £9.4m, which fell to £6.4m in 1990. No figures for 1991 are available.

Barclays had increased its stake in the institution, then a consortium bank, from 20 per cent to 46 per cent in 1984 after heavy losses.

It bought the remaining 54 per cent for an undisclosed sum in 1990 from Sheikh Kamal Adham, a Saudi investor. It apparently intended to turn it around and sell it.

TV Enterprise buys 15% stake in Portman

By Raymond Snoddy

Television Enterprise and Asset Management, a media fund backed by Robert Fleming and the Rockefeller Company of the US, has made its largest single investment.

Together with Primetime, the independent producer and distributor of television programmes, it is paying £2.9m for a 15 per cent interest in Portman Entertainment, another UK independent.

Portman holds a catalogue of 1,500 hours of programmes, including popular dramas such as Home and Away.

Television Enterprise was set up a year ago to provide funding for UK production in return for minority stakes in independent companies.

The stake in Portman is the fourth it has made. It has also taken strategic interests in Workhouse, which has an output deal with Meridian, and Tiger Television, producers of the award-winning Mr Bean series.

As part of the deal, RPTA, Primetime's programme distribution arm, will handle both the existing catalogue and future output of Portman.

Cupid sees potential in Berkertex moves

Cupid, the USM-quoted bridal wear company, said at its annual meeting that last week's receivership of Berkertex would provide the company with exciting potential to expand market share.

The company added that Pronuptia-Youngs was continuing to trade strongly and the order book for the Quilty nursery/childcare division had grown significantly in the last few weeks.

British Bio-tech loss within expectations

British Bio-technology Group reported increased pre-tax losses in the three months to July 31 but was within expectations expressed when the Oxford-based pharmaceutical company was floated in July.

Turnover for the company's first quarter was more than doubled at £1.57m (£796,000) for losses of £2.9m (£2.7m).

Losses per share came out at 9.5p (13.1p).

BP Chemicals £20m foam company sale

BP Chemicals has sold its Croydon-based foams business to Zotefoams, a company set up by its management. The price is more than £20m.

The buy-out has been arranged by 3i, which with Prudential Venture Managers has provided more than £9m of equity capital. Debt facilities of more than £11.5m had been arranged through Barclays.

Mr Bill Fairservice, general manager of the foams business until last year, is returning to lead the five-strong management team. The sale is part of BP Chemicals' strategy of focusing on core activities.

Claremont Garments benefits from strong link with M and S

By Jane Fuller

THE CONTINUING strength of Marks and Spencer's ladies wear sales helped Claremont Garments (Holdings), the clothing maker, increase pre-tax profit by 22 per cent to £2.83m in the six months to June 27.

The comparable pro forma figure of £2.32m was for Claremont's last six months as part of the Alexon Group before manufacturer and retailer demerged.

Turnover advanced to £21.7m (£20.7m), of which more than 90 per cent went to M and S. Leaving aside the discontinued men's wear business, the underlying sales improvement was 10 per cent. Operating profit also rose 10 per cent, to £2.91m (£2.65m).

Mr Peter Wiegand, chairman, said M and S ladies wear was standing up well to the recession and Claremont was supplying an increasing proportion. With two acquisitions since the half-year, its share of the M and S ladies clothing market stood at about 9 per cent.

Although M and S was holding down prices, "it has given us more quantity to go with the pricing policy, so we benefit from increased efficiency in the factory." Work on garment engineering was also enabling a better margin to be made on low-priced clothes.

Since J&J Fashions was bought for £27m, accompanied by a £22.4m 2-for-5 rights issue, two small factories had been closed.

J&J would double the group's turnover to about £105m. Its operating margins of 3 to 4 per cent left plenty of scope for improvement.

At the end of June, gearing (pre-acquisition and rights issue) was similar to the year-end 15 per cent, when net debt was about £2m. Gearing was expected to be near 25 per cent by December.

Earnings per share rose to 6.6p (5.4p). The interim dividend of 3.3p compared with a demerger payment of 3p.

● COMMENT

When Claremont and Alexon started trading as two separate entities in July last year, Claremont closed at 163p and Alexon at 390p. The idea was that the solid, efficient M and S supplier would be a nice little yielder and that the retail brands would sail to a higher rating. Instead it is Claremont that looks as though it has been unleashed, closing yesterday at 224p, while Alexon (down to 184p) has succumbed to the high street malaise – a malaise that has not affected M and S with its value-for-money ladies wear. Even within the M and S cocoon, Claremont has done well to hold its impressive margins. It really does implement the nostrum that "there is no end to cost-cutting". If it can apply the same rigour to J&J, the rewards will be considerable. With the second half traditionally stronger, pre-tax profit is forecast to top £8m this year, a prospective p/e of 13.5. It deserves its premium to the textiles sector. While the shares look fully priced now, acquisition benefits could add 15 per cent to earnings next year, making the shares a strong hold.

Handbag side blamed for 8% fall to £6.6m at Peter Black

By Jane Fuller

A FALL in sales of handbags and luggage was the main drag on annual profits at Peter Black Holdings, the Marks and Spencer supplier and provider of distribution services.

The pre-tax figure for the year to May 30 fell by just over 8 per cent from £6.62m (£7.23m) on turnover of £106.2m (£126m).

Mr Gordon Black, joint chairman, said £17.5m of the turnover fall was accounted for by the disposal of the home furnishings business.

Like-for-like sales were down by about 2 per cent, mainly in the Keighley-based soft footwear and accessories operation, which had proved vulnerable to reduced consumer spending.

With operating profit down by 19 per cent to £8.35m (£10.31m), a cut in interest costs to £1.73m (£3.08m) helped the figures. Net debt fell to £5.57m (£13.4m), reducing gearing from 39 to 15 per cent. Stocks had been cut by £5.5m.

Personal care contributed £3.2m to pre-tax profit on sales of £38.2m. A factory closure led to £200,000 exceptional costs.

Mr Black said toiletries and the English Grains contract business improved, but cosmetics declined. Customers included J Sainsbury and Superdrug as well as M and S. Demand for branded herbal remedies, such as Natracalm and Red Kooga Ginseng, also held up well.

Footwear and accessories made £2.6m on £55.9m sales, again after £200,000 of rationalisation costs. Turnover was 5 per cent down in spite of further progress in the New-bold fashion shoes operation.

The service division produced £800,000 profit on £12.1m turnover. Mr Black said the group handled warehousing and distribution for 30 companies.

While sales at its own factory shops were down, the Hornsea retail park – based on a US concept where up-market branded goods are sold at a discount – was showing considerable promise.

Earnings per share slipped to 8.21p (9.18p). An increased final dividend of 2.17p makes a total of 2.94p (2.84p).

● COMMENT

Peter Black has honed its businesses down to a coherent collection and applied an even sharper knife to working capital. The only exception to the core-business ethic is the Hornsea park, an exciting concept in a bargain-hunting era but one that would require a great deal of investment to extend. It will be an interesting decision for the management whether to sell it or develop it. Discipline will also need to be applied to the fledgling distribution business, where the group is so far reaping the benefits of being a niche operator. All three legs of the business should make progress this year with the help of the largest customer M and S, although toiletries and bags have not proved as resilient as ladieswear. A pre-tax profit of £7.5m gives a prospective p/e of less than 12. The shares look far from expensive, but trade is thin because of the family holding of nearly 40 per cent.

Improving margins aid Calderburn

An improvement in margins limited the fall in first half pre-tax profit at Calderburn, the office furniture and related products group formed through the merger of Alan Cooper and Mayfield in July 1991.

Pre-tax profit came to £2.21m (£2.3m) and operating surplus to £2.17m (£2.19m) on turnover of £14.9m (£16.5m). Improved margins stemmed from action taken on the cost base in 1991 and benefits of the reorganisation following the merger.

"The results are as we had expected despite a further fall in the office furniture market", said Mr James Blyth Currie, chairman.

And he warned: "Since no recovery in our marketplace seems likely this year, profits for the second half can reasonably be expected to be lower than in the first six months".

Earnings per share were 5.7p (5.8p), and the interim dividend is again 2.8p.

Regal Hotel suspended

Shares of the USM-quoted Regal Hotel Group were suspended yesterday at the company's request pending clarification of its financial position.

In January the company announced that it was in discussions about a refinancing. At that time its assets were less than half its capital following increasing losses and the placing of its trading subsidiary into liquidation.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
ASW	int	3	Nov 6	4.5	-	9
Black (Peter)	fin	2.17	Oct 23	2.07	2.94	2.84
Brammer	int	4.5	Oct 23	4.5	-	13
British Vita	int	3.5†	Nov 9	3.45	-	7.06
Burford	int	0.5	Oct 12	0.45	-	0.95
Calderburn	int	2.8	Oct 26	2.8	-	7.7
Claremont Garmts	int	3.3†	Jan 4	-	-	3.6‡
Fairey	int	3.3†	Nov 16	3	-	9
Frost	int	5.5	Jan 8	-	-	2
Goodhead	fin	0.5	-	nil	0.5	0.5
Hewitt	int	1.25	Nov 2	1	-	2.5
Intrum Justitia	int	1	Nov 5	0.8	-	2.4
Pentland	int	1.04	Nov 2	0.9375	-	2.2495
Perkins Foods	int	1.7	Oct 23	1.7	-	4.3
Rugby	int	2.85	Nov 20	2.85	-	6.45
Scholl	int	2.6	Nov 12	2.5	-	6
Suter	int	3.2	Nov 25	3.2	-	5.8
WSP	int	1.1	Oct 22	1.1	-	2.9

Dividends shown pence per share net except where otherwise stated. †On increased capital. ‡Excludes special demerger payment.

COMPANY NEWS: UK

Suter benefits from lower interest costs

By Angus Foster

A LOWER interest charge enabled Suter, the distribution, industrial and chemical group headed by Mr David Abell, to announce a 2 per cent increase in interim profits.

The pre-tax outcome came to £9.4m (£9.2m) for the six months to June 27, although turnover dipped 3 per cent to £101.3m. Trading profits fell 6 per cent to £11.3m but the net interest charge dropped to £1.9m (£2.8m).

In distribution, trading profit fell 27 per cent because of a downturn in industrial refrigeration sales. The drop was exaggerated as the comparable profits were lifted by legislative changes which led to customers upgrading equipment.

Recession in UK construction affected sales of air conditioning equipment. But automotive components did well and the decline in the industrial division's trading profit was limited to a 11 per cent.

Chemicals performed strongly and lifted trading profits 27 per cent to £4.2m. Fine chemicals increased sales 14 per cent, helped by exports, although Pentagon continued to be affected by last year's cancellation of a sub-contracting contract.

Net borrowings fell £4.9m to £36.4m – the benefit of tighter working capital control. Mr Abell said he expected year-end borrowings to be little changed from last time at £30.2m. Gearing, on shareholders' funds of £48.2m, was 76 per cent (80 per cent) although interest cover improved to 5.9 (4.3) times.

Fully diluted earnings were again 5.4p. The interim dividend is held at 3.2p and the final is forecast to stay at 5.6p.

Mr Abell, who in May promised "radical action" to improve Suter's share price, said he could still not comment on what plans were under discussion.

The Department of Trade and Industry is continuing its investigations of six companies with Suter links. DTI inspectors were appointed in 1988 and 1989 to establish whether certain investors in the companies acted in concert. Their report is still pending.

● COMMENT

Yesterday's dividend pledge may have helped Suter's shares hold steady at 97p, but they are still languishing from last May's peak of 142p which followed Mr Abell's statement on "radical action". Most observers assume his cryptic comments will lead to a disposal, possibly of the automotive or valve businesses. This would certainly help the balance sheet which, despite a fall in net borrowings, still looks vulnerable. But assuming a buyer can be found, Suter will have little left to recommend it. Parts of the business, for example chemicals company Chemoxy, are well managed and should perform well out of recession. But refrigeration and air conditioning sales are likely to remain muted until 1993 at the earliest. Analysts clipped back full year forecasts to £19m yesterday, putting the shares on a multiple of 9. Even if the DTI cloud passes, the shares are not undervalued.

David Abell: no comment on plans under discussion

Intrum Justitia rises to £6m

By Richard Gourlay

INTRUM JUSTITIA, the Dutch-based group aiming to bring respectability to debt collection, yesterday reported a 33 per cent rise in interim profits despite the slowing pace at which overdue debts are being paid.

Pre-tax profits in the six months to June 30 rose from £4.6m to £6.11m on sales ahead 12 per cent at £40.8m.

Earnings per share rose 14 per cent to 4.2p.

The interim dividend is increased by 25 per cent to 1p.

"This year we will not achieve 20 per cent eps growth," said Mr Gert van Laar, chief executive.

"In some of the company markets the deepening recession is impacting upon the success rate for collections, which is declining. This will reduce the rate of growth in profits in the short term."

In the last six months, the company has seen a 19 per cent increase to £1.2bn in the value of gross collections it is making in Europe.

Mr van Laar said there was a growing awareness of the balance sheet problem many companies faced which would be good for Intrum Justitia once the European economy began to recover.

The company was confident that once that recovery arrived handling times would shorten and companies would have become accustomed to using its debt collection services for slow paying accounts.

It recently stepped up its campaign for creditors to be paid in full and on time by debtors; it is to spend £3m sponsoring a European entry in the 1993 Whitbread round the world yacht race under the slogan Fair Pay.

BOARD MEETINGS

TODAY

Interims- Baird (Wm), Bleachley Motor, Candover Inv Trust, Croda Intl, Fisons, Gaskell, Herring Baker Harris, Home Counties Newspapers, IMI, Instem, Medeva, Nurdin & Peacock, Peek, Plantsbrook, Record, Ropner, Wimpey (George).
Finals- Adacens, Macro 4.

FUTURE DATES

Interims-	
BAA	Nov. 9
Billam (J)	Sep. 14
Campari Intl	Sep. 17
EIS	Sep 14
Fisher (James)	Sep. 18
Howden Stuart	Oct. 7
Hornby	Sep 18
Kingston Oil & Gas	Sep 14
Macallan-Glenlivet	Sep. 18
Mayborn	Sep. 19
Molins	Sep. 28
Moss O'Ferrall	Sep. 24
PCT	Sep 10
Porvair	Sep. 10
Roskel	Sep. 14
Yorkshire Water	Dec. 2
Finals-	
Arcadian Intl	Sep. 11
Barratt Developments	Sep 23
Elsco	Oct. 1
FII	Sep. 14
Foreign & Colonial High	Sep. 17
Fosters Brewing	Sep. 14
GT Japan Inv Trust	Sep 28
Highland Distilleries	Oct. 12
Logica	Sep 17
Next	Sep. 22
St Ives	Oct. 13

Metsa-Serla sells UK subsidiary

Metsa-Serla Oy, the Finnish forestry group, has sold Stuart Edgar, its UK subsidiary, to Fort Sterling, the British tissue offshoot of Fort Howard Corporation of the US, for FM100m (£13m). Stuart Edgar's annual net sales amount to FM190m but operations have been unprofitable, Metsa-Serla said.

MCC's 75% holding in Nimbus Records bought by US merchant bank

By Raymond Snoddy

AN AMERICAN merchant bank is buying Maxwell Communication Corporation's 75.1 per cent stake in Nimbus Records, the classical music label and manufacturer of compact discs

The stake in the Wales-based company founded by Count Labinsky, a professional singer who wanted to improve music recording quality, is being bought by DLJ Merchant Banking, a wholly owned subsidiary of Donaldson Lufkin & Jenrette, the New York investment banker.

Nimbus, which employs 650 people, has an annual turnover of about £50m and presses 70m CDs a year in the UK and the US. Pre-tax profits in 1991 were about £500,000, or £2m before interest charges.

No price was disclosed for the sale, which was organised by Price Waterhouse, administrators to MCC following the collapse of the Maxwell empire. It is expected to be completed by the end of this month.

There was considerable international interest in Nimbus, which began pressing CDs in Monmouth in 1984 and later won a Queen's Award for Technological Achievement.

Count Labinsky, president of Nimbus Records, said the company had been "looking for the investor with the strongest commitment to the future of CD technology in all its audio and multimedia applications". He added that he felt that with DLJ's support, the company was structured for growth in all areas of its business internationally.

Apart from music, Nimbus is a specialist in CD-ROM technology which uses compact discs to store information on a wide range of activities including computerised mapping and technical documentation for aerospace and vehicle manufacturers.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, September 7, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
(Afghani)	99.25	49.7992	35.5098	40.3045
(Lek)	219.56	110.166	78.5545	89.1614
(Dinar)	41.916	21.0316	14.9967	17.0217
(Fr Fr)	9.5075	4.7704	3.4016	3.8609
(Sp Peseta)	181.60	91.1189	64.9731	73.7461
(Kwanza)	1074.0	538.886	384.258	436.142
(E Carr $)	5.3892	2.704	1.9281	2.1885
(Peso)	1.9728	0.9898	0.7058	0.8011
(Florin)	3.5728	1.7926	1.2782	1.4508
(Aus $)	2.7760	1.3928	0.9932	1.1273
(Schilling)	19.665	9.867	7.0357	7.9857
(Port Escudo)	244.50	122.679	87.4776	99.2893
(Bahama $)	1.9930	1	0.713	0.8093
(Dinar)	0.7525	0.3775	0.2692	0.3055
(Sp Peseta)	181.60	91.1189	64.9731	73.7461
(Taka)	77.40	38.8359	27.6923	31.4314
(Barb $)	4.0146	2.0143	1.4363	1.6302
(Belg Fr)	57.70	28.9513	20.644	23.4314
(B $)	3.992	2.003	1.4282	1.6211
(CFA Fr)	475.375	238.522	170.081	193.046
(Bermudian $)	1.9930	1	0.713	0.8093
(Ngultrum)	56.4319	28.315	20.1903	22.9165
(Boliviano)	7.9141	3.9709	2.8315	3.2138
(Pula)	4.0812	2.0477	1.4601	1.6573
(Cruzeiro)	10661.58	5349.51	3814.52	4329.58
(Brunei $)	3.1830	1.597	1.1388	1.2925
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Ghana (Cedi)	895.4148	449.28	320.363	363.62
Gibraltar (Gib £)	1.00	0.5017	0.3577	0.406
Greece (Drachma)	349.275	175.251	124.964	141.838
Greenland (Danish Krone)	10.8075	5.4227	3.8667	4.3888
Grenada (E Carr $)	5.3892	2.704	1.9281	2.1885
Guadaloupe (Local Fr)	9.5075	4.7704	3.4016	3.8609
Guam (US $)	1.9930	1	0.713	0.8093
Guatemala (Quetzal)	10.2797	5.1579	3.6778	4.1744
Guinea (Fr)	1621.33	813.512	580.082	658.408
Guinea-Bissau (Peso)	9980.0	5007.53	3570.66	4052.79
Guyana (Guyanese $)	250.48	125.68	89.6171	101.718
Haiti (Gourde)	19.96	5	7.1413	8.1055
Honduras (Lempira)	11.1622	5.6007	3.9936	4.5328
Hong Kong (HK $)	15.4175	7.7358	5.5161	6.2609
Hungary (Forint)	150.16	75.3437	53.7245	60.9786
Iceland (Icelandic Krona)	105.81	53.0908	37.8568	42.9685
India (Indian Rupee)	56.4319	28.315	20.1903	22.9165
Indonesia (Rupiah)	4074.65	2044.48	1457.84	1654.68
Iran (Rial)	2820.0v	1414.95	1008.94	1145.18
	122.55o	61.4902	43.8461	49.7664
Iraq (Iraqi Dinar)	0.5936	0.2978	0.2123	0.241
Irish Rep (Punt)	1.0575	0.5306	0.3783	0.4294
Israel (Shekel)	4.80	2.4084	1.7173	1.9492
Italy (Lira)	2134.50	1071	763.685	866.802
Jamaica (Jamaican $)	43.95	22.0521	15.7245	17.8477
Japan (Yen)	246.25	123.557	88.1037	100
Jordan (Jordanian Dinar)	1.3145	0.6595	0.4703	0.5338
Kenya (Kenya Shilling)	66.4269	33.3301	23.7663	26.9753
Kiribati (Australian $)	2.7760	1.3928	0.9932	1.1273
Korea North (Won)	4.2914	2.1532	1.5353	1.7427
Korea South (Won)	1557.65	781.56	557.299	632.548
Kuwait (Kuwaiti Dinar)	0.5795	0.2907	0.2073	0.2353
Laos (New Kip)	1427.14	716.076	510.605	579.549
Lebanon (Lebanese £)	5490.4	2754.84	1964.36	2229.6
Lesotho (Maluti)	5.4832	2.7512	1.9617	2.2266
Liberia (Liberian $)	1.9930	1	0.713	0.8093
Libya (Libyan Dinar)	0.5174	0.2596	0.1851	0.2101
Liechtenstein (Swiss Fr)	2.4925	1.2506	0.8917	1.0121
Luxembourg (Lux Fr)	57.70	28.9513	20.644	23.4314
Macao (Pataca)	15.9377	7.9968	5.7022	6.4721
Madagascar (MG Fr)	3039.91	1525.29	1087.62	1234.48
Madeira (Port Escudo)	244.50	122.679	87.4776	99.2893
Malawi (Kwacha)	7.5648	3.7956	2.7065	3.072
Malaysia (Ringgit)	4.9720	2.4947	1.7788	2.019
Maldive Is (Rufiya)	21.0378	10.5558	7.5269	8.5432
Mali Rep (CFA Fr)	475.375	238.522	170.081	193.046
Malta (Maltese £)	0.5808	0.2914	0.2077	0.2358
Martinique (Local Fr)	9.5075	4.7704	3.4016	3.8609
Mauritania (Ouguiya)	154.8297	77.6867	55.3952	62.875
Mauritius (Maur Rupee)	29.90	15.0025	10.6976	12.1421
Mexico (Mexican Peso)	5981.58	3001.29	2140.1	2429.07
Miquelon (Local Fr)	9.5075	4.7704	3.4016	3.8609
Monaco (French Fr)	9.5075	4.7704	3.4016	3.8609
Mongolia (Tugrik)	79.84	40.0602	28.5652	32.4223
Montserrat (E Carr $)	5.3892	2.704	1.9281	2.1885
Morocco (Dirham)	15.8085	7.932	5.6559	6.4196
Mozambique (Metical)	5464.37	2741.78	1955 05	2219.03
Namibia (S A Rand)	5.4832	2.7512	1.9617	2.2266
Nauru Is (Australian $)	2.7760	1.3928	0.9932	1.1273
Nepal (Nepalese Rupee)	93.0735	46.7002	33.3	37.7963
Netherlands (Guilder)	3.1525	1.5817	1.1279	1.2802
N'nd Antilles (A/Guilder)	3.5728	1.7926	1.2782	1.4508
New Zealand (NZ $)	3.68	1.8464	1.3166	1.4944
Nicaragua (Gold Cordoba)	10.7385	5.3881	3.842	4.3608
Niger Rep (CFA Fr)	475.375	238.522	170.081	193.046
Nigeria (Naira)	36.8262	18.45	13.1757	14.9548
Norway (Nor. Krone)	11.0500	5.5444	3.9534	4.4873
Oman (Rial Omani)	0.7685	0.3855	0.2749	0.312

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Pakistan (Pak. Rupee)	49.8872	25.0312	17.8487	20.2587
Panama (Balboa)	1.9930	1	0.713	0.8093
Papua New Guinea (Kina)	1.9250	0.9658	0.6887	0.7817
Paraguay (Guarani)	3019.90	1515.25	1080.47	1226.36
Peru (New Sol)	2.60	1.3045	0.9302	1.0558
Philippines (Peso)	47.78	23.9739	17.0948	19.403
Pitcairn Is (£ Sterling)	1.00	0.5017	0.3577	0.406
(NZ $)	3.68	1.8464	1.3166	1.4944
Poland (Zloty)	26895.0	13494.7	9622.54	10921.8
Portugal (Escudo)	244.50	122.679	87.4776	99 2893
Puerto Rico (US $)	1.9930	1	0.713	0.8093
Qatar (Riyal)	7.2655	3.6455	2.5994	2.9504
Reunion Is. de la (F/Fr)	9.5075	4.7704	3.4016	3.8609
Romania (Leu)	780.36a	391.55	279.199	316.897
Rwanda (Fr)	271.20	136.076	97.0304	110.132
St Christopher (E Carr $)	5.3892	2.704	1.9281	2.1885
St Helena (£)	1.00	0.5017	0.3577	0.406
St Lucia (E Carr $)	5.3892	2.704	1.9281	2.1885
St Pierre (French Fr)	9.5075	4.7704	3.4016	3.8609
St Vincent (E Carr $)	5.3892	2.704	1.9281	2.1885
San Marino (Italian Lira)	2134.50	1071	763.685	866.802
Sao Tome (Dobra)	479.04	240.361	171.392	194.534
Saudi Arabia (Riyal)	7.4855	3.7558	2.6781	3 0397
Senegal (CFA Fr)	475.375	238.522	170.081	193.046
Seychelles (Rupee)	9.74	4.8871	3 4847	3.9553
Sierra Leone (Leone)	988.02	495.745	353.496	401.226
Singapore ($)	3.1830	1.597	1.1388	1.2925
Solomon Is ($)	5.8585	2.9395	2.096	2.379
Somali Rep (Shilling)	5229.52	2623.94	1871.03	2123.66
South Africa (Rand)	5.4832c	2.7512	1 9617	2.2266
	7.6510g	3.8389	2.7373	3.107
Spain (Peseta)	181.60	91.1189	64.9731	73.7461
Spanish Ports in N Africa (Sp Peseta)	181.60	91.1189	64.9731	73.7461
Sri Lanka (Rupee)	87.4122	43.8596	31.2744	35.4973
Sudan Rep (Dinar)	19.96	10.015	7 1413	8.1055
Surinam (Guilder)	3.5629	1 7877	1.2747	1.4468
Swaziland (Lilangeni)	5.4832	2.7512	1.9617	2.2266
Sweden (Krona)	10 2150	5 1254	3.6547	4.1482
Switzerland (Fr)	2.4925	1.2506	0.8917	1 0121
Syria (£)	41.916	21.0316	14.9967	17.0217
Taiwan ($)	50.15	25.163	17.9427	20.3654
Tanzania (Shilling)	637 92	320.08	228 236	259.054
Thailand (Baht)	50.064	25.1199	17.9119	20.3305
Togo Rep (CFA Fr)	475.375	238.522	170.081	193.046
Tonga Is (Pa Anga)	2.7760	1.3928	0 9932	1.1273
Trinidad/Tobago ($)	8.483	4.2563	3.035	3.4448
Tunisia (Dinar)	1.611	0.8083	0.5763	0.6542
Turkey (Lira)	14101.84	7075.68	5045.38	5726.64
Turks & Caicos (US $)	1.9930	1	0.713	0.8093
Tuvalu (Australian $)	2.7760	1.3928	0 9932	1.1273
Uganda (New Shilling)	2358.97	1183.63	843.996	957.957
U A E (Dirham)	7.3302	3.6779	2 6226	2.9767
United Kingdom (£)	1 00	0.5017	0.3577	0.406
United States (US $)	1.9930	1	0.713	0.8093
Uruguay (Peso)	6364.80	3193.58	2277.21	2584.69
Vanuatu (Vatu)	224.05	112.418	80.161	90 9847
Vatican (Lira)	2134.50	1071	763.685	866 802
Venezuela (Bolivar)	[illegible]	68.8183	49.0715	55.6974
Vietnam (Dong)	21696.52	10886.4	7762.62	8810.77
Virgin Is-British (US $)	1.9930	1	0.713	0.8093
Virgin Is-US (US $)	1.9930	1	0.713	0.8093
Western Samoa (Tala)	4.8778	2.4474	1.7451	1.9808
Yemen (Rep of) (Rial)	32.934	16.5248	11.7831	13.3742
Yemen (Rep of) (Dinar)	0.9281	0.4656	0.332	0.3768
Yugoslavia (New Dinar)	[illegible]	191 721	136.708	155.167
Zaire Rep (Zaire)	1301704.0	653138	465726	528611
Zambia (Kwacha)	356.286	178.769	127.473	144.685
Zimbabwe ($)	9.7505	4.8923	3.4885	3.9595

Special Drawing Rights Sept. 4, 1992 United Kingdom £0.745651 United States $1.46856 Germany D Mark 2.10107 Japan Yen182.028
European Currency Unit Rates Sept. 7, 1992 United Kingdom £0.724879 United States $1 44519 Germany D Mark 2.02905 Japan Yen178.524

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate, (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate ;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, September 7, 1992

LEGAL NOTICES

NOTICE OF CREDITORS' MEETING
EUROPEAN PLASTIC MOULDERS
LIMITED IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above company will be held at The Grand Hotel, Colmore Row, Birmingham on 17 September 1992 at 10.00 am for the purposes of having laid before it the report prepared by the Joint Administrative Receivers in accordance with the said act and, if thought fit, appointing a Committee. Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation). Creditors wishing to vote at the meeting must lodge a written statement of their claims with us at Cork Gully, 43 Temple Row, Birmingham B2 5JT no later than 12 noon on 16 September 1992. Forms of proxy, if intended to be used, must also be lodged with us by that time. (Postal proxies are not acceptable.)

DATED this 3 September 1992
Ian N Carruthers and Michael Horrocks
Joint Administrative Receivers

BP and Statoil in deal to develop Caspian Sea field

By Neil Buckley in Baku

BRITISH PETROLEUM, the UK oil company, and Statoil, the Norwegian state oil company, yesterday reached an exclusive agreement with Azerbaijan to negotiate to develop the Dostlug (Friendship) field in the Caspian Sea.

The deal is BP's most significant agreement with a former Soviet republic – probably involving investment of at least $1.5bn – and only the second by Azerbaijan with a western company.

BP-Statoil has exclusive rights to conduct a feasibility study of the 1bn-barrel Dostlug field (formerly known by its Russian name of Kaverochkin), 75 km (47 miles) south of Baku, the Azeri capital, as well as to explore the nearby Shak Deniz (formerly Shakhovo More) area, experts believe significant amounts of oil may be found.

The agreement was signed by Mr Isa Gambarov, chairman of the Council of Ministers, and Mr John Browne, chief executive of BP exploration. It was witnessed by Lady Thatcher, the former UK prime minister, who, as guest of the newly-elected Azeri president Mr Abulfaz Elchibey, had earlier swept into Baku at the head of a 30-car convoy.

"We have signed today a momentous deal," Mr Browne said. "It will bring prosperity to the people of Azerbaijan through investment, training, technology transfer and revenue.

The alliance will conduct a two-year study of the field with local oil and gas producers Kaspmorneftegaz and Azerineft, while negotiating production-sharing agreements with the Azeri government.

BP-Statoil paid $30m for exclusive rights to the field, and will make a further payment once final agreements have been ratified. Interests in the venture will be split 50:50 with Azerbaijan.

The Dostug field is at present estimated at more than 1bn barrels, although experts believe eventual recoverable reserves may total more than 2bn barrels – ranking the field alongside the UK North Sea Forties field in size. Production could be more than 200,000 barrels a day, which would double present Azeri oil output.

Mr Browne said he was "very satisfied" with the results of an experimental $7.5m contract with the ShelfProyektstroi construction yard, 15 km (nine miles) south of Baku, to produce four piles which will used to secure platforms in the North Sea. He said BP hopes to construct as much as possible of the Dostlug infrastructure at the SPS yard. It will also employ native Azeris offshore and in local management, providing employment for about 700 people.

Oil will be exported through an existing pipeline through Russia, there are also plans for a $750m pipeline through Georgia to a new oil terminal at Poti, on the Black Sea.

The deal is a welcome boost for BP-Statoil, which was narrowly beaten last year by Amoco, the US oil company, in Azerbaijan's first international tender to develop the Caspian Sea Azeri field, although the alliance was awarded a 19 per cent interest in the field.

Europe and America slip down coal league

By Francis Williams in Geneva

EUROPE AND North America, which a decade ago accounted for two-thirds of world coal production and trade, now account for less than half, the United Nations Economic Commission for Europe says in a report on coal market trends and prospects in the region. The ECE area also became a net coal importer in 1991 and is expected to remain one this year, due mainly to lower exports from eastern Europe and the former Soviet Union.

Global hard coal consumption and production both fell last year to below 3.5bn tonnes, reflecting a steep decline in eastern European output and a smaller drop in the US. US output is expected to rebound this year, alongside a 1 per cent rise in world production, but demand and production will fall in both halves of Europe in 1992, the ECE says.

The drop in ECE coal use to about 1.7bn tonnes last year took its share of world demand to less than 50 per cent for the first time, and the declining trend is likely to continue, the report says. The ECE is predicting that hard coal consumption in Asia, already 45 per cent of the world total, will rise by 2 per cent a year, double the growth rate forecast for the ECE region.

The slow growth in coal use in Europe and North America stems mainly from economic and environmental pressures with, in eastern Europe, the additional problems arising from transition to market-based economies.

Poland begins heavy wheat imports

By Christopher Bobinski in Warsaw

POLAND HAS bought 500,000 tonnes of wheat abroad and further imports this year could go as high as 2.5m tonnes in the wake of the country's drought-ridden harvest. Latest official estimates put this year's grain crop at 21.2m tonnes or 24 per cent less than last year.

The shortfall has already pushed up grain and meat prices and retail food prices threaten to grow by 20 per cent in the coming months. Indeed prices being asked for grain by farmers in some parts of the country have already outstripped world market levels. The present grain purchase has been made in the European Community by the state run Food Market Agency to boost government reserve stocks.

A 40 per cent drop in this year's potato crop down to 17m tonnes will also affect pork output in the coming months. The Solidarity Farmers' Union has called on the government to provide aid for farmers in the worst hit areas in western and northern Poland as well as subsidised credits and tax deferments until the end of 1993.

This year's grain shortage comes after three years of declining fertiliser and pesticide usage as real farming incomes have fallen. This year the number of hectares sown with grain fell for the first time by 4.6 per cent to 8.3m hectares.

Lifting of Malaysian palm oil duty opposed

By Kieran Cooke in Kuala Lumpur

MALAYSIA'S PALM oil refiners have objected to suggestions that the country lift export duties on crude palm oil exports in an effort to increase foreign sales.

The Palm Oil Refiners Association of Malaysia said the country should continue to be a crude palm oil refining centre. "If this suggestion is carried through then many millions of dollars of investments we have made in refining capacity could be lost," said one refiner.

Malaysia, the world's biggest palm oil producer, exports almost all of its palm oil in processed form. For several years the government has imposed a 20 per cent duty on crude palm oil exports in order to encourage downstream processing within the country.

Last week Mr Lim Keng Yaik, the Malaysian Primary Industries Minister, confirmed that Malaysia now had excess palm oil refining capacity and needed to reconsider its marketing strategy. "I am thinking out loud whether, at the present stage of development, we still need to go into value added, downstream refining of crude palm oil when it is no longer very profitable," he said.

Malaysian refineries now have a processing capacity of 10m tonnes a year while supply is a little over 6m tonnes. Several countries impose substantial import taxes on processed palm oil whereas crude palm oil is subject to little or no import duties.

Mr Lim said processing companies should be encouraged to set up refineries overseas as part of a strategy to build up new markets and gain greater market share in other countries.

He has also said Malaysia is considering offering more countries credit facilities for palm oil imports. So far Pakistan and Algeria have signed credit agreements with Malaysia covering a total of $150m worth of palm oil imports.

● The government-owned State Trading Corporation of India has signed a contract with Indonesia for the import of 150,000 tonnes palm olein (the liquid portion), writes Kunal Bose in Calcutta.

As the contract has been agreed so soon after India signed a memorandum of understanding with Malaysia covering the purchase of 300,000 tonnes of palm oil in the next two years is understood to be expecting a good price discount from the Indonesian suppliers.

The contracted Indonesian oil will be arriving next month for distribution through "fair price" shops. October being the festival month in India, there is a surge in demand for edible oils. But the proposed import from Indonesia will help in keeping the oil prices in check.

De Beers remains in the dark about extent of Russian diamond smuggling

By Leyla Boulton in Moscow

DE BEERS, the South African group which controls about 80 per cent of the world's rough (uncut) diamond trade, yesterday admitted it had no clear idea of how many gem stones were being smuggled out of Russia.

It also became clear yesterday that De Beers faces competition from Japan in Yakutia, where 99 per cent of Russian diamonds are mined and where it hopes to help set up a cutting centre.

In any case, the South African group is not confident of its grip on the Russian diamonds business and therefore wants to reconfirm its existing five-year contract which gives it a virtual monopoly of Russia's rough diamond exports.

De Beers concluded an agreement in 1990 that gives its Central Selling Organisation exclusive rights to sell Russian rough diamond exports until 1995. It advanced a $1bn loan to the former Soviet Union against stockpiled diamonds which were moved to London.

However, though Russia has continued to abide by the terms of the deal the agreement has repeatedly been called into question.

"We hope that uncertainty in the diamond market will be ended by a pronouncement of the diamond commission which should show that CSO is Russia's best opportunity," said De Beers deputy chairman, Mr Nicky Oppenheimer.

Mr Valery Skripchenko, the deputy head of a group within Russia's budget committee which is looking into the structure of the diamond industry, suggested yesterday that De Beers was also seeking a monopoly of Russian exports of polished stones in addition to that it enjoyed for rough gems. He suggested a fresh parliamentary investigation could be launched when parliament reconvened on September 22.

His objections appear to have been prompted by an outline agreement reached last week by De Beers with Yakutia, the semi-autonomous republic within Russia, to set up a stone-polishing factory.

Mr Gary Ralfe, the De Beers' director responsible for liaison with Russia, said that if the agreement went through, his group would supply technology for the plant and "help" sell the polished stones it produced – which would still account for a tiny proportion of rough gems mined in Yakutia.

But if Yakutia instead concluded a diamond-polishing deal with a rival Japanese company called ARDA, De Beers would have no control over polished stones sales by Yakutia, which does not yet have its own stone-cutting capacity.

Asked about the smuggling problem, Mr Ralfe said it was impossible to tell how many diamonds were leaking from the former Soviet Union in contravention of the 1990 agreement. He believed smuggling was taking place without the sanction of government authorities and that the Russian problem was nothing like on the scale of the illegal flood of diamonds out of Angola.

Sour response to milk co-op plan

David Blackwell on a row over plans to reform the UK dairy market

MR ANDREW DARE, after just one week as chief executive of the Milk Marketing Board, found his own words used against him in a blistering attack by the Dairy Trade Federation on plans to end the 60-year-old statutory milk marketing monopoly.

Mr Brian Smith, president of the DTF, said he could not understand how a government that believed in a free market could be in favour of the MMB's proposal to turn itself into a voluntary co-operative. And he quoted Mr Dare, himself a former president of the DTF, as saying three years ago: "We are not prepared to see the MMB try to make itself voluntary". Mr Smith said: "Now he is the architect of the MMB proposals."

However, he said the DTF's main argument was with the government and the agriculture ministry, not the MMB itself.

The MMB's proposals were published only at the beginning of last month after more than two years of intense debate. The Ministry of Agriculture has given interested parties until September 18 to comment on the plan, which will also have to be approved by the European Commission. A Bill to end the monopoly is expected to come before parliament this autumn and be given theRoyal Assent next June.

However, the Dairy Trade Federation has whole-heartedly backed only one part of the plan – the proposed spin-off of Dairy Crest, the MMB's wholly-owned subsidiary with a 25 per cent share of the UK's manufactured dairy products market.

Brian Smith: "What is to control the co-operative?"

The DTF welcomed the fact that farmers should be free to sell milk to anyone they chose once the MMB was closed – but Mr Smith doubted that the market would be genuinely free. He pointed out that the proposed legislation would create a single co-operative handling more than three times the milk of the largest co-operatives in Europe.

Mr Smith criticised plans for the co-operative to retain its assets, such as central testing of milk. The assets were a disguised incentive to persuade farmers to join.

He pointed out, again citing Mr Dare when he was DTF president, that the rules of supply and demand were different for milk because there was a monopoly supplier and the UK was under the EC's production quota system. Mr Smith said that while supply could not be increased prices could only rise.

In addition, Mr Smith pointed out that the MMB was subject to all sorts of statutory controls. "What is to control the co-operative?" he asked.

The DTF proposed that all MMB assets, including property, should be realised and returned to farmers along with their share of Dairy Crest. The MMB's farm services should be transferred to an independent body such as the Agricultural Development Advisory Service (Adas).

"The current proposals from the MMB tend towards replacing a statutory monopoly with a private one," said Mr Smith. "If the government is unwilling to intervene to stop this, the DTF believes that the government must act to establish simple but effective regulatory controls over prices, supply and contract terms in order to prevent the co-op from abusing its dominant position in the market."

Mr Dare yesterday counter-attacked, saying that he stood by everything he had said as president of the DTF. When he was president of the DTF he had made lots of criticisms of the board. "I can tell you I made those same criticisms in the boardroom," he said. The situation had changed completely, and the DTF had been "less than fully appreciative of what we have said".

The proposed co-operative, which he believed about 80 per cent of the 30,000 dairy farmers in England and Wales would join, would have to stand or fall in a free market, he said. "There is nothing to stop anyone else setting up a co-operative – regional or otherwise."

Since he had started advising the MMB in November last year, he had urged it to become much more open and commercial, and it now met most of the DTF's original requirements. Dairy Crest would be floated off, farmers would not be under contract for more than a year, and anyone could set up in competition against the new co-op.

He described the DTF demand for the MMB's testing service to be hived off as bizarre. "Whoever heard of a co-operative buying and selling milk without testing facilities? We have the best quality milk in Europe and that's got to stay."

Defending the potential size of the co-operative, he said that on the consumer side there were now only four major dairy groups, he said – Northern Foods, Dairy Crest, Unigate and the Co-operative Retail Services. Annual turnover of the MMB without Dairy Crest would be about £2.4bn if all dairy farmers joined – about the same size as Unigate, he said.

The plans to end the milk monopoly are not the only source of friction between the MMB and the DTF at the moment. Late last month the two organisations failed to agree on a new way of pricing milk for manufacturing which should have started on September 1 - the day Mr Dare took up the reins as MMB chief executive.

WORLD COMMODITIES PRICES

MARKET REPORT

A general lack of activity in the London markets reflected the US Labor Day holiday. Some light buying was seen in **GOLD**, which helped to maintain the market above Friday's levels. Most **BASE METALS** ended a quiet day with prices below Friday's levels but above the day's lows. The **SUGAR** market's main talking point was the Cuban president's weekend assertion that the country had produced 7m tonnes of sugar for 1991-92. Talk of Cuban buying in March New York has been a key supportive factor recently amid concern that production may fall further in 1992-93.

Compiled from Reuters

SUGAR – London FOX (\$ per tonne)

Raw	Close	Previous	High/Low
Oct	205.60	202.00	205.00
Dec	202.00	201.00	200.00
Mar	200.20	200.80	199.60
White	**Close**	**Previous**	**High/Low**
Oct	262.40	263.50	263.00 262.00
Dec	257.40	258.00	258.40 257.40
Mar	260.00	259.90	261.00 259.50
May	262.80	262.50	263.00

Turnover: Raw 90 (373) lots of 50 tonnes. White 471 (1309) Paris- White (FFr per tonne): Oct 1255.04 Dec 1248.71

CRUDE OIL – IPE \$/barrel

	Close	Previous	High/Low
Oct	20.28	20.19	20.34 20.19
Nov	20.29	20.21	20.35 20.22
Dec	20.28	20.20	20.31 20.25
Jan	20.22	20.13	20.23 20.20
IPE Index	20.15	20.06	

Turnover 7723 (14821)

GAS OIL – IPE \$/tonne

	Close	Previous	High/Low
Sep	182.25	181.25	183.00 182.00
Oct	187.25	186.50	188.00 186.75
Nov	190.00	189.25	190.50 189.50
Dec	192.00	191.50	192.25 191.75
Jan	192.00	191.25	192.25 191.75
Feb	188.75	187.75	189.25 188.75
Mar	183.00	182.75	183.00
Apr	179.75	179.50	181.00 179.75
May	178.75	178.00	179.50 178.75

Turnover 9652 (7449) lots of 100 tonnes

TEA
There were 17,634 packages for the day, reports the Tea Brokers' Association. There was good general demand. Landed new season's Assams sold at about last levels although plainer sorts tended easier. Bright liquoring and good medium east African teas met good competition but prices were often lower with quality. Lesser mediums remained a strong feature and fully firm to 2p dearer. Brighter central African descriptions were dearer. Offshore; strong demand at fully firm rates. The highest price realised was 152p for a Rwanda pf.1. Quotations quality 150p, good medium 132p, medium 125p, low medium 80p.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	596	601	599 592
Dec	620	631	629 618
Mar	647	660	657 646
May	666	675	675 666
Jul	685	692	694 686
Sep	704	716	713 705
Dec	730	736	732

Turnover: 2313 (2881) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 4 819.59 (808.65) 10 day average for Sep 7 809.77 (809.55)

COFFEE – London FOX \$/tonne

	Close	Previous	High/Low
Sep	766	764	768 760
Nov	787	788	788 783
Jan	798	797	798 796
Mar	807	810	805
May	813	815	808
Jul	830	826	821

Turnover: 444 (2896) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 4: Comp. daily 47.13 (47.58) 15 day average 45.92 (45.77)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	60.1	61.5	60.3 59.9

Turnover 77 (33) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	-	121.00	

Turnover 0 (20) lots of 20 tonnes.

FREIGHT – London FOX \$10/index point

	Close	Previous	High/Low
Sep	1100	1110	1100
Oct	1200	1204	1200
Nov	1204	1205	1204
BFI	1059	1059	

Turnover 15 (102)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	116.00	115.80	116.00
Jan	119.65	119.45	119.65
Mar	122.75	122.45	122.75
May	125.85	125.65	125.85
Barley	**Close**	**Previous**	**High/Low**
Nov	-	112.75	

Turnover: Wheat 118 (49), Barley 0 (55).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	-	105.5	

Turnover 0 (6) lots of 3,250 kg

INDICES

REUTERS (Base: September 18 1931 = 100)			
Sep 7	Sep 4	mnth ago	yr ago
1511.3	1518.2	1542.0	1665.1

DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep 4	Sep 3	mnth ago	yr ago
Spot	118.91	118.32	116.91	117.81
Futures	118.31	116.17	117.34	123.46

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity (\$ per tonne)						Total daily turnover 31,310 lots
Cash	1274-5	1277.5-8.5		1273-3.5		
3 months	1298-9	1302-2.5	1302/1298	1298-7	1302-3	179,213 lots
Copper, Grade A (£ per tonne)						Total daily turnover 22,548 lots
Cash	1241-1.5	1251-2	1240.5	1240.5-1		
3 months	1267-8	1277-8	1273/1267.5	1267.5-8	1270-1	147,846 lots
Lead (£ per tonne)						Total daily turnover 5,084 lots
Cash	326.5-7.5	328.5-9.5		331.5-2		
3 months	334-4.5	334-5	338/335	335-5.5	336-6.5	28,767 lots
Nickel (\$ per tonne)						Total daily turnover 6,922 lots
Cash	7075-85	7075-85	7100	7090-5		
3 months	7150-5	7150-60	7195/7145	7170-5	7150-5	26,851 lots
Tin (\$ per tonne)						Total daily turnover 2,495 lots
Cash	6725-35	6730-40		6718-20		
3 months	6760-80	6770-75	6770	6760-5	6750-60	12,038 lots
Zinc, Special High Grade (\$ per tonne)						Total daily turnover 12,781 lots
Cash	1429-31	1436-7.5		1424-5		
3 months	1364-5	1392-3	1369/1362	1353.5-4	1365-6	67,686 lots

LME Closing £/\$ rate:
SPOT: 1.9932 3 months: 1.9600 6 months: 1.9345 9 months: 1.9045

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	\$ price	£ equivalent
Close	342.85-343.35	
Opening	342.50-342.90	
Morning fix	343.25	171.857
Afternoon fix	343.00	171.697
Day's high	343.35-343.65	
Day's low	342.35-342.65	

Loco Ldn Mean Gold Lending Rates (Vs US\$)

1 month	2.51	6 months	2.51
2 months	2.51	12 months	2.50
3 months	2.51		

Silver fix	p/troy oz	US cts equiv
Spot	188.50	372.75
3 months	191.50	375.60
6 months	196.20	378.55
12 months	205.90	385.05

GOLD COINS

	\$ price	£ equivalent
Krugerrand	342.00-344.00	171.00-172.00
Maple leaf	353.20-355.45	-
New Sovereign	83.00-85.00	41.00-42.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price \$ tonne	Oct	Jan	Oct	Jan
1250	41	72	4	19
1300	11	41	24	31
1350	3	20	64	59

Copper (Grade A)	Calls		Puts	
2500	28	61	38	71
2550	11	[illegible]	71	100
2600	4	26	113	135

Brent Crude	Oct	Nov	Oct	Nov
2000	32			32
2050	8	38		57
2100	3	19		

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	\$18.10-8.20	+.125
Brent Blend (dated)	\$20.15-0.25	+.175
Brent Blend (Oct)	\$20.25-0.30	+.125
W.T.I (1 pm est)	-	

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	\$219-221	
Gas Oil	\$182-183‡	
Heavy Fuel Oil	\$85-86	+0.5
Naphtha	\$193-195	-1.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	\$343.15	+1.65
Silver (per troy oz)♣	372.5c	-3.5
Platinum (per troy oz)	\$380.0	+2.8
Palladium (per troy oz)	\$90.0	+1.0
Copper (US Producer)	115.5c	+0.5
Lead (US Producer)	38.4c	-0.7
Tin (Kuala Lumpur market)	16.55r	-0.21
Tin (New York)	313.50c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	110.42p	+0.13*
Sheep (live weight)†♣	72.08p	+0.05*
Pigs (live weight)†	81.05p	+1.35*
London daily sugar (raw)	\$249.0w	-0.4
London daily sugar (white)	\$279.0w	+4.0
Tate and Lyle export price	£282.5	-2.0
Barley (English feed)	Unq	
Maize (US No 3 yellow)	£149.5	+0.5
Wheat (US Dark Northern)	Unq	
Rubber (Oct)♥	48.75p	
Rubber (Nov)♥	48.75p	
Rubber (KL RSS No 1 Jul)	215.5m	
Coconut oil (Philippines)§	\$510t	-5
Palm Oil (Malaysian)§	\$407.5	+7.5
Copra (Philippines)§	\$335.0	+5.0
Soyabeans (US)	£132.0z	-1.0
Cotton "A" Index	56.75c	-0.30
Wooltops (64s Super)	388p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Oct/Nov w-Sep/Oct y-Sep u-Oct. z-Nov. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.
‡Correction: Gas Oil 4/9/92 \$182-183

More clouds gather over Caribbean export sector

Canute James studies a gloomy report on last year's performance from the region's development bank

COMMODITY EXPORTING countries in the English-speaking Caribbean will continue to experience fluctuating output and earnings because of weak and uncertain markets, and will feel the effects of a prolonged drought last year, the Caribbean Development Bank has said in its report on the region's economic performance in 1991.

The Barbados-based bank, which provides project loans for 17 members in the region, said sugar producers were being affected by reduced access to the US market; bauxite (aluminium ore) output was being contained by oversupply of aluminium; oil production had been relatively stable; and banana producers were worried about competition for their traditional markets.

The region's sugar production would be lower this year because of last year's drought, the CDB said. Output in the bank's sugar-producing members – Guyana, Trinidad and Tobago, Barbados, St Kitts-Nevis, Jamaica and Belize – reached 688,000 tonnes last year, 5 per cent more than 1990. Both Guyana and St Kitts recorded production increases of more than 20 per cent, reversing declines in 1990, while in Trinidad and Tobago and Barbados output declined by 5 per cent and 15 per cent respectively.

"A major concern of regional sugar producers continues to be the reduction in US sugar import quotas," the bank reported. "In October [1991], the US administration announced a 35 per cent reduction for all regional producers except St Kitts-Nevis, whose quota was reduced by 9.6 per cent." The cuts in US quotas would severely affect some producers, such as Belize, which was producing more than its quota commitments to both the EC and US markets," said the bank. "Sugar not sold on the preferential markets is sold at world market prices, which are substantially below preferential prices."

The report said that with the "rapid compression" of regional sugar quotas since 1982, the attention of producers would be focussed increasingly on improved efficiency to increase export competitiveness and profitability of their industries.

The weak state of the international aluminium market, caused by economic recession and unexpectedly high levels of sales by the former Soviet Union, would continue to have a dampening effect on the region's bauxite mining and refining industry, said the CDB. While projecting the start of a recovery in the aluminium market in the second half of this year, the bank expected continued low prices. "Taking into account the closure of several smelting plants, world production is projected to decline slightly in 1992," it said.

US markets were closed yesterday for the Labor Day holiday

Regional production of bauxite fell 4 per cent last year to 13m tonnes in response to weak world market prices caused by oversupply, the report said. The two producers had mixed fortunes. Guyana's production of 1.35m tonnes last year was 5.5 per cent less than 1990, while Jamaica's grew by 5.8 per cent to 11.6m tonnes.

The CDB indicated that the region's bauxite output had also suffered from a shortfall in shipments to the former Soviet Union. That was a reference to the *de facto* termination of a five-year contract between Jamaica and a Soviet importing house for 1m tonnes of ore a year. Shipments were well below the contracted quantities last year because of delayed payments by Moscow, followed by the disintegration of the Soviet Union.

The bank's oil producing members also suffered mixed fortunes, with output remaining stable in Barbados but declining in Trinidad and Tobago, mainly because of accidents and the need for "non-routine maintenance" of refineries, the report said. It gave no figures for 1991 output, but official figures from the respective governments show Barbadian 1991 oil output at 1,550 barrels a day, with Trinidad and Tobago's at 147,000 b/d.

In the face of continuing uncertainty over preferential access to the European market, the bank's banana-exporting members recorded a 16 per cent decline in volume last year to 300,000 tonnes. The producers are the Belize, Jamaica and the Windward Islands of St Lucia, St Vincent, Dominica and Grenada. "All producing countries, except Jamaica, reported declines mainly because of prolonged drought which also affected fruit quality," the bank said. "In the Windward Islands, the volume of bananas exported to the UK under preferential arrangements fell by 18 per cent. the decline in performance was most pronounced in St Lucia and St Vincent."

The bank forecast expanded production and export of bananas this year, mainly in the Windward Islands which was expected to ship 300,000 tonnes. But the report warned: "Despite this optimistic outlook for production, the threat of the removal of protection for banana exports after 1992 has resulted in considerable uncertainty in the industry. Efforts by regional producers to identify alternative markets for bananas have had limited success because of intense competition from Latin America."

The bank suggested that one way in which the regional producers could cushion the damage was through improved efficiency and competitiveness, and by agricultural diversification. It reported noted "an expansion in vegetable and other food crop production during 1991".

Nutmeg production in Grenada, the world's second largest producer after Indonesia, fell by 2.5 per cent to 2,643 tonnes last year, the bank reported. "Since 1990 production has been below the average for the preceding three years largely because of the soft market for this crop," the report said.

LONDON STOCK EXCHANGE

Gains trimmed in very thin trading

By Terry Byland, UK Stock Market Editor

A GRUDGING response to the meeting of EC finance ministers in the UK over the weekend brought a modest rally in UK share prices yesterday, but gains were halved when sterling stumbled below the important DM2.80 quotation at mid-session. However, the outstanding feature of the first session of the new equity account was the poor level of turnover in a market lacking a lead from Wall Street, which was closed for Labor Day.

The lack of business in equities left the stock index futures market to provide the impetus. In spite of the pledge that the Bundesbank would not increase interest rates "in present circumstances", UK stocks opened lower as London securities houses resolved to take no risks on a Wall Street holiday.

However, with sterling firmer and stock index futures better, shares turned higher and the FT-SE Index soon registered a gain of more than 23 points to show a day's peak of 2,385.7. Trading volume was well under 200m shares at that point, and many share prices had barely been tested.

The shine disappeared from the stock market as sterling turned back from its early gains, both on the short sterling and the foreign exchange cash market. Traders sounded uneasy as the pound began to slip back towards the levels seen prior to Thursday's announcement of a £7.27bn support loan for the pound.

Early gains in shares were steadily eroded and Seaq volume increased somewhat as marketmakers, still unwilling to hold positions, passed parcels of stock around the market. Equities steadied at the close as sterling tried to rally and the final reading on the FT-SE Index of 2,372.2 was a net 10 points up.

Seaq volume of 299.8m shares compared pitifully with the 546.7m recorded on Friday. Traders pointed out that retail, or customer, business in equities yesterday must have fallen far short of the £923.5m seen on Friday.

Little heed was paid to the UK consumer credit figures for July, showing a sharp and unexpected increase in new credit. The stock market was bracing itself for this week's heavy list of corporate trading results which, traders hope, may provide some indication that the worst of the economic recession has now been seen. In particular, the market is on alert for any further dividend cuts, a factor which continued to weigh on sentiment in the building sector.

Reports in the UK press that some stores had seen improved sales levels failed to excite retail stocks. The stock market is awaiting the August Retail Price index, due on Friday, with confidence. The annualised headline number is expected to jump to 3.8 per cent, reflecting distortions caused by a drop in mortgage rates twelve months ago. The underlying rate, however, is likely to show a further dip and to find a warm welcome in the City.

But for the short term, that is to say until September 21 the date of the French referendum on the Maastricht proposals, the UK stock market will remain on tenterhooks, with all eyes fixed firmly on the sterling/deutschemark exchange rate.

Account Dealing Dates		
*First Dealings:		
Aug 24	Sep 7	Sep 21
Option Declarations:		
Sep 3	Sep 17	Oct 1
Last Dealings:		
Sep 4	Sep 18	Oct 2
Account Day:		
Sep 14	Sep 28	Oct 12

*New time dealings may take place from 8.30 am two business days earlier.

Cheer for the builders

A BUILDING sector bracing itself for a series of profits setbacks and dividend cuts during the new trading account was given a shot in the arm by better than expected interim results from Rugby, the cement group.

The good figures saw Rugby shares advance 9, or some 5.6 per cent, to 169p, one of the best individual performances yesterday in the stock market.

The profits increase, a rare achievement by a building company over the past two years, prompted analysts to raise their full-year expectations. Mr Robin Hardy at Panmure Gordon lifted his forecast for the current year to £56.78m and that for the following year to £59m.

The Panmure analyst said: "If the building materials have a strong run, then Rugby, with its good spread of interests, net cash and good strategy, will be at the head of the pack."

Drug stocks firm

Pharmaceuticals group SmithKline Beecham gained ground, helped by a positive note from a securities house. The shares, up 11 at one stage, closed a net 7 ahead at 473p. The sector in general was firmer, benefiting ahead of forthcoming results and a drug conference this week.

Mr Martin Hall of UBS Phillips & Drew raised his forecast for 1993 profits to £1.32bn from £1.28bn and published a note pointing out the combined effect of a number of company announcements this year of drug approvals, launches and promotion agreements.

UBS said the SmithKline upgrade also reflected better than expected sales of the company's anti-emetic drug Kytril in Japan and its anti-arthritis treatment Relafen in the US. Mr Hall said the impact on 1992 profits would be held back by heavy marketing and launch costs. As a result he maintained his current year forecast of £1.14bn.

Glaxo, which has results due for release on Thursday and is to discuss its anti-migraine drug Imigran in London today, climbed 15 to 764p. Wellcome, reinstated on Merrill Lynch's buy list, improved 18 to 844p.

Some analysts said sentiment towards the sector was positive due to its defensive qualities during economic downturn and as investors looked to increase their exposure to dollar-earning stocks on the possibility of recovery in the US currency. However, there is also the view that UK drug shares are relatively expensive versus Wall Street and outperformance is limited.

S.G. Warburg shares were chased higher, closing 13 ahead at 439p, after weekend press suggestions that the stock may be inserted in the FT-SE 100 Index.

An agency cross of 3m shares at 202p prompted a sharp decline in London & Manchester, the life group, which ended 9 lower at 206p. A stock shortage drove Commercial Union up 10 to 475p and General Accident 12 ahead to 443p.

The good results released by Rugby prompted a brief burst of buying interest in Redland, which rose to 371p before ending a net 8 to the good at 368p.

Blue Circle Industries, on the other hand, suffered a decline of 5 to 155p on keen turnover of 1.2m shares after bearish stories on the dividend, said to have emanated from Smith New Court, the stockbroker. BCI is scheduled to produce interims on Thursday, with profits expected to have dropped from last time's £81m to £35.5m.

Building materials group Hepworth was also given a rough passage yesterday, the shares plummeting 20 to 243p after hints that Kleinwort Benson Securities had sharply downgraded its estimates. Last week Kleinwort pulled the rug from underneath Tarmac shares after a very bearish review of the company's earnings and dividend prospects.

Building specialists said the real bad news from the industry would kick off this morning when George Wimpey will unveil its half-time figures. The market expects the company to at least halve its interim dividend, from 4p to 2p, and to reveal losses of around £10m, against a profit of £200,000 in the same period last year. Specialists warned of substantial provisions against loss-making contracts and land. Wimpey slipped 2 more to 77p, easily the lowest level since the mid-1980s.

Hopes that British Aerospace would soon announce new orders were the spur to the day's trading in the stock. The shares put on 6 to 219p as just in excess of 1m shares were dealt.

Financial worries overhung Eurotunnel, which receded 15 to 365p. Dividend concern surrounding P & O appears to have faded and a squeeze in the stock left it 8 up at 359p.

Plastics manufacturer British Vita fell 6 to 219p after weaker than expected first-half results.

Furniture group MFI lost 6 to 108p, with UBS Phillips & Drew reported to have downgraded the stock. The securities house is believed to have shaved £15m off its current-year figure to £60m.

Kingfisher was in demand, firming 7 to 441p, boosted by a recommendation from S.G. Warburg, the company's broker, and County NatWest, which advised investors to switch into Kingfisher and out of W.H. Smith. County said Smith, which closed at 402p ex-dividend, has recently outperformed the market.

A continuing overhang of stock left United Biscuits 6 weaker at 260p.

A strong run for Unilever was checked as profit-takers moved in and took the shares down 5 to 925p.

A shortage of Reed International shares squeezed them 13 higher to 511p, helped by a recommendation from BZW. The house media team told clients that it felt Reed and Emap offered good exposure to the recovery potential of the sector.

Support ahead of today's interim results saw Medeva improve 17 to 198p. The market is looking for profits of between £12.2m and £15m, against £5.05m last year.

Fisons, which also reports today, eased a penny to 174p. First-half profits are expected to come in at between £35m and £43m.

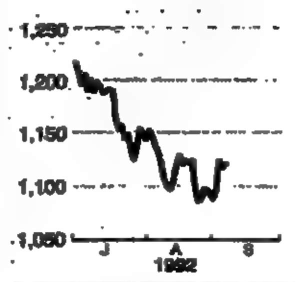
Further reflection on last week's results continued to make Ladbroke a busy market and turnover reached 3.8m as the shares put on 5 to 155p.

In hotels, sellers were seen in Stakis, where turnover rose to 5.1m as the shares relinquished 2 to 25p.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Peter John.

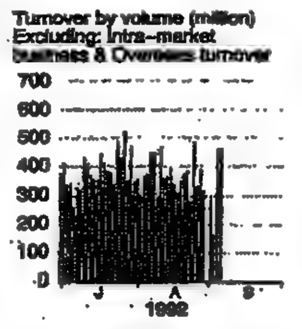
■ Other market statistics, Page 24

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Sept 7	Sept 4	Sept 3	Sept 2	Sept 1	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.46	89.38	89.05	87.66	87.03	86.50	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.50	105.44	104.17	103.40	102.99	95.33	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1733.4	1729.0	1741.0	1682.6	1670.0	2002.5	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	72.9	74.5	75.6	75.1	77.4	161.0	160.6 (10/1)	72.9 (7/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2372.2	2362.2	2381.9	2313.0	2298.4	2653.3	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1074.84	1073.24	1074.12	1050.07	1046.46	1196.88	1248.79 (11/5)	1029.56 (25/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	5.13	5.15	5.11	5.29	5.33	4.55				
●Earning Yld %(full)	7.45	7.48	7.43	7.67	7.74	7.37				
●P/E Ratio(Net)(*)	16.96	16.90	17.02	16.48	16.33	16.93				
SEAQ Bargns 5.00pm	15,106	24,626	20,844	16,753	15,669	28,609				
Equity Turnover(£m)†	-	923.5	978.5	752.6	589.5	824.9				
Equity Bargains†	-	28,295	22,879	18,578	17,681	29,107				
Shares Traded (ml)†	-	462.5	462.6	162.3	294.4	393.8				

Basis 100 Govt Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Base 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. c Nil 15.78

Ordinary Share Index, Hourly changes — Day's High 1743.3 — Day's Low 1727.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1727.3	1734.0	1735.7	1740.9	1742.7	1742.8	1740.0	1738.4	1733.0

FT-SE 100, Hourly changes — Day's High 2385.7 — Day's Low 2358.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2358.3	2371.6	2372.4	2382.2	2384.0	2385.1	2381.4	2379.0	2372.8

FT-SE Eurotrack 200, Hourly changes — Day's High 1078.95 — Day's Low 1073.60

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1074.76	1074.23	1075.31	1077.19	1078.98	1076.99	1077.00

GILT EDGED ACTIVITY

Indices*	Sept 4	Sept 3
Gilt Edged Bargains	113.6	119.1
5 – Day average	101.6	103.1

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TRADERS in the derivatives market reported a volatile but uneventful start to the trading account, in which early gains were reversed later in the session due to lack of activity, writes Joel Kibazo.

The September contract on the FT-SE opened tentatively at 2,377 and moved forward with only a brief pause to reach 2,396 as independent traders moved to close short positions.

Sentiment was also boosted by weekend comment from the Bundesbank president that a rise in German interest rates was unlikely at the moment. September traded in a tight range of 2,390 and 2,395 before drifting lower at lunch time.

With Wall Street closed, there was little to hold the interest of traders and the contract continued to decline, reaching the day's low of 2,373 towards the finish.

A small rally just before the close helped September end off the bottom at 2,378, and with the estimated fair value premium to cash now calculated at parity, the contract finished 6 points ahead of the underlying cash market. Turnover was poor at 5,990 lots.

Traded options were dull with total turnover reaching only 20,456. United Biscuits at 1,780 lots was the busiest stock option.

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Sep 7 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Sep 4 Index No.	Thu Sep 3 Index No.	Wed Sep 2 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	692.85	....	8.54	6.46	14.98	22.52	692.65	698.55	682.12	875.25
2	Building Materials (23)	682.52	-0.2	7.99	8.11	16.98	27.19	683.85	686.77	661.99	1126.22
3	Contracting, Construction (27)	519.81	+0.1	6.37	11.48	15.44	25.74	519.19	522.03	508.39	1185.47
4	Electricals (9)	2056.69	+0.5	8.04	7.31	16.03	74.93	2046.56	2044.56	2026.47	2503.23
5	Electronics (27)	1900.89	-1.1	8.49	4.54	14.68	46.63	1922.42	1942.58	1918.04	1805.02
6	Engineering-Aerospace (6)	294.03	+0.8	12.26	8.86	10.35	13.53	291.74	300.61	299.78	404.85
7	Engineering-General (43)	427.09	+0.7	9.65	5.65	13.16	13.00	424.32	425.35	415.26	502.87
8	Metals and Metal Forming (7)	265.59	-0.4	6.54	8.30	22.22	7.30	266.65	272.25	266.21	449.44
9	Motors (14)	288.89	+0.6	9.48	8.17	13.83	14.02	287.17	287.55	277.43	369.86
10	Other Industrial Materials (19)	1531.60	+0.3	8.17	5.41	14.69	41.12	1527.36	1541.92	1501.97	1669.40
21	CONSUMER GROUP (191)	1507.98	+0.8	8.04	3.81	15.28	26.51	1496.69	1502.56	1461.85	1505.69
22	Brewers and Distillers (25)	1915.73	+0.5	8.68	3.82	13.90	37.64	1905.49	1901.72	1839.30	1940.11
25	Food Manufacturing (19)	1087.96	+0.1	9.92	4.85	12.47	26.54	1086.39	1094.09	1000.63	1236.46
26	Food Retailing (18)	2628.59	-0.3	9.32	3.47	13.97	47.40	2635.45	2652.02	2605.11	2739.54
27	Health and Household (25)	3929.15	+1.7	7.04	2.71	16.20	42.46	3862.05	3863.21	3727.07	3744.17
29	Hotels and Leisure (18)	989.12	+0.8	8.13	6.92	16.08	38.39	980.97	985.45	959.03	1305.65
30	Media (26)	1448.41	+1.0	6.96	3.64	17.91	29.64	1433.73	1430.76	1404.33	1534.94
31	Packaging, Paper & Printing (17)	711.22	+0.9	7.51	4.66	16.36	18.71	704.90	712.07	709.95	788.41
34	Stores (34)	958.31	+0.2	7.43	3.91	17.93	17.95	956.15	967.54	936.65	1035.27
35	Textiles (9)	581.27	+1.0	7.91	5.34	15.97	16.10	575.72	581.37	564.05	646.93
40	OTHER GROUPS†(117)	1201.62	+0.2	10.38	5.65	12.06	38.14	1199.53	1205.65	1173.34	1295.54
41	Business Services (17)	1226.49	+0.7	6.96	4.23	17.53	21.54	1218.45	1238.63	1186.63	1442.79
42	Chemicals (22)	1275.00	-0.3	7.70	5.70	16.12	46.24	1278.41	1291.25	1255.66	1480.63
43	Conglomerates (10)	1148.11	+0.9	9.96	9.58	12.87	37.23	1138.09	1140.61	1087.92	1519.31
44	Transport (14)	2264.08	+0.7	8.84	5.21	13.91	56.22	2248.76	2273.60	2194.63	2370.25
45	Electricity†(16)	1354.25	-0.3	15.36	5.42	8.39	52.68	1358.62	1333.01	1327.93	1247.78
46	Telephone Networks(4)	1387.28	-0.5	10.90	4.76	11.96	46.15	1394.60	1417.41	1372.26	1553.71
47	Water(11)	2891.37	+1.2	15.49	5.99	7.14	86.85	2856.23	2883.29	2885.73	2516.40
48	Miscellaneous (23)	1940.40	+0.7	6.85	5.21	18.32	54.03	1927.01	1916.84	1861.34	1931.34
49	INDUSTRIAL GROUP†(483)	1205.13	+0.4	8.89	4.86	14.01	30.59	1199.83	1205.92	1174.09	1320.14
51	Oil & Gas (17)	1813.93	+0.1	7.55	7.03	17.31	69.56	1811.78	1837.63	1807.62	2460.41
59	500 SHARE INDEX†(500)	1264.27	+0.4	8.76	5.07	14.28	33.75	1259.12	1266.66	1234.51	1418.40
61	FINANCIAL GROUP (83)	665.21	+0.2	-	6.59	-	27.63	663.87	670.28	650.16	844.77
62	Banks (9)	906.55	+0.1	7.07	6.08	20.38	39.95	905.71	919.66	894.25	988.17
65	Insurance (Life) (6)	1360.03	-0.1	-	6.56	-	45.47	1361.61	1353.67	1311.87	1600.89
66	Insurance (Composite) (7)	462.17	+1.2	-	6.51	-	16.37	456.81	460.97	435.52	674.85
67	Insurance (Brokers) (10)	573.75	-0.7	12.38	9.55	10.60	39.26	577.65	574.09	561.93	1135.99
68	Merchant Banks (7)	409.08	+1.1	-	5.28	-	12.37	404.68	404.37	396.85	453.88
69	Property (30)	503.57	....	11.99	8.84	11.10	22.22	503.48	509.24	497.16	958.49
70	Other Financial (14)	216.97	-0.5	9.21	8.01	14.26	7.29	217.96	217.53	215.81	271.30
71	Investment Trusts (70)	1051.44	....	-	4.27	-	25.50	1050.95	1057.25	1034.63	1254.27
99	ALL-SHARE INDEX†(653)	1120.50	+0.4	-	5.34	-	31.83	1116.31	1123.51	1094.45	1278.85

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 4	Sep 3	Sep 2	Sep 1	Aug 28	Year ago
FT-SE 100 SHARE INDEX‡	2372.2	+10.0	2385.7	2358.3	2362.2	2381.9	2313.0	2298.4	2312.6	2653.2

FIXED INTEREST

	PRICE INDICES	Mon Sep 7	Day's change %	Fri Sep 4	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	121.79	+0.04	121.75	2.25	8.49
2	5-15 years (25)	137.31	+0.07	137.20	1.99	9.59
3	Over 15 years (8)	149.16	+0.24	150.63	0.58	9.97
4	Irredeemables (6)	170.04	+0.10	169.88	2.48	8.83
5	All stocks (61)	135.02	+0.08	135.11	1.95	9.43
	Index-Linked					
6	Up to 5 years (2)	169.56	-0.08	169.70	0.21	3.25
7	Over 5 years (10)	146.46	-0.35	146.98	0.81	3.33
8	All stocks (12)	148.48	-0.31	148.95	0.72	3.29
9	Debs & Loans (62)	120.21	+0.40	120.16	1.85	8.69

	AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 7	Fri Sep 4	Year ago (approx.)
	British Government				
1	Low	5 years	8.76	8.79	8.57
2	Coupons	15 years	8.76	8.79	9.47
3	(0%-7¾%)	20 years	8.76	8.79	9.47
4	Medium	5 years	9.45	9.45	9.66
5	Coupons	15 years	9.00	9.02	9.64
6	(8%-10¾%)	20 years	8.90	8.93	9.62
7	High	5 years	9.71	9.70	9.85
8	Coupons	15 years	9.21	9.24	9.73
9	(11%-)	20 years	9.07	9.11	9.67
10	Irredeemables		9.00	9.00	9.69
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	4.64	4.61	3.74
12	Inflation rate 5%	Over 5 yrs	4.65	4.62	4.20
13	Inflation rate 10%	Up to 5 yrs	3.90	3.87	2.81
14	Inflation rate 10%	Over 5 yrs	4.47	4.45	4.02
15	Debs &	5 years	10.54	10.56	11.46
16	Loans	15 years	10.35	10.39	11.22
17		25 years	10.23	10.27	11.05

‡Opening index 2358.3; 9 am 2371.6; 10 am 2372.4; 11 am 2382.2; Noon 2384.0; 1 pm 2385.1; 2 pm 2381.4; 2.30 pm 2380.4; 3 pm 2379.0; 4.10 pm 2371.5; (a) 1.32pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1 9HL. †Correction to indices for Friday 4.9.92.

NEW HIGHS AND LOWS FOR 1992

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	15⅞xd	-1/16	19⅛	14⅝	13,283	2.0
♥Allegheny & W		313p	—	334p	226p	182.7	6.0
Amdahl		669p	-7	1109p	642p	772.8	0.8
Amer Cyanamid		29⅝	+⅛	37	28⅞	2,706	2.9
Amer Express		11xd	—	13⅞	10⅞	5,224	4.8
Amer T & T		21¼xd	-⅜	24⅞	20⅛	28,208	3.3
Ameritech		34½	—	36⅞	32½	10,180	5.3
BankAmerica		21⅞xd	-⅜	27⅛	19⅝	7,818	3.1
Bankers NY		31⅛xd	—	37⅛	28⅞	2,579	4.3
Bell Atlantic		24⅝	+⅛	26¾	23⅛	10,898	5.5
BellSouth		28⅞	+⅛	29⅛	25	14,138	5.4
♥Bethlehem Steel		6⅞xd	—	9⅝	5⅞	537.4	—
Bowater		937pxd	-16	1579p	905p	337.6	6.7
CPC	h	25xd	-½	28⅛	22⅞	3,786	2.5
♥Cadiz Land Inc		128p	—	342p	128p	-	-
Campbell Soup		18⅛xd	-⅛	23⅞	17⅞	4,765	2.2
Chase Manhattan		11⅞xd	-⅛	18½	9⅞	1,831	5.5
Chrysler		10⅞xd	-⅛	11½	6⅛	3,015	3.0
Citicorp		8⅞xd	-⅜	11⅛	5⅞	2,872	-
Colgate-Palm		27⅞xd	-⅞	29⅞	25⅛	4,448	2.3
Cont'l Bank		835p	-13	1036p	489p	641.8	3.8
Dana		18⅞xd	-⅞	24½	14⅞	663.9	4.5
Data General		428p	—	1084p	364p	115.9	-
Dun & Brad		28½	—	33½	27⅞	5,085	4.2
Eaton		38⅞	+¼	40½	32½	1,319	3.0
Echlin		9⅞xd	-⅞	11	7⅞	528.8	3.9
FPL		18¼xd	+⅛	20	17⅞	3,288	7.0
Pfizer		29⅞	-⅞	27	19¼	1,687	1.0
Ford Motor		20½xd	-⅞	28⅞	15	8,853	2.6

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93 L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other

prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

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FT MANAGED FUNDS SERVICE

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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Pearl Assurance (Unit Funds) Ltd

Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or −	Yield Gross
Property Dist. (Gross)	135 0	142 1		−
Property Acc. (Gross)	257.3	270 8	+0 1	−
Equity (Gross)	802.5	844 8	−4 4	−
Managed (Gross)	576 3	606.6	−0 6	−
Property Acc. (Net)	123 0	129 5	+0.1	−
Equity (Net)	187 6	197 4	−1 0	−
Adventurous Managed	87 9	92.5	+1.0	−
Managed (Net)	178 1	187 5	−0 1	−
Cautious Managed	96.7	101.8	+1 3	−
International (Net)	153 7	161.8	−0 9	−
Gilt & Fixed Interest	142.9	150.5	+0 9	−
Money Fund	141.6	149 0		−
Mixed Fund (Cap)	108 7	114.5	+0 2	−
Mixed Fund (Acc)	113 5	119 5	+0.3	−
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	625 2	658 2	−1.6	−
Ret Man (Series 2)	212.1	223.3	−0.5	−
Ret Cash	200 6	211.2	+0 2	−
Pens Mixed Fd (Cap)	119 9	126 3	+0.8	−
Pens Mixed Fd (Acc)	125 1	131.7	+0 7	−
Pens Stlg Fd (Cap)	104 7	110 3	+0 1	−
Pens Stlg Fd (Acc)	109 4	115 2	+0 2	−

Premium Life Assurance Co Ltd

37–39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	118 0	125 0		−
Building Soc. Fd	225.0	237.0		−
Balanced	244 0	257 0	+1.0	−
European	199 0	210 0		−
GT Managed	170 0	179 0		−
Gartmore Mngd	113 0	119.0	+1 0	−
German	124 0	131.0	+1.0	−
Gilt	166.0	175.0	+1.0	−
Global	35.0	37.0		−
International Equity	177 0	187 0	+1.0	−
Japan	144 0	152 0	+1 0	−
Leisure	47 0	50 0		−
Managed	38.0	40 0		−
Property	287 0	303 0		−
UK Equity	217 0	229 0	+1 0	−
Pension Funds				
American	232 0	245 0		−
Building Soc. Fd	243.0	256 0	+1 0	−
Balanced	206 0	217.0		−
European	220 0	232.0	−1.0	−
German	123 0	130 0		−
Gilt	160.0	169.0	+1 0	−
Global	33 0	35 0		−

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or −	Yield Gross
Prudential Managed Funds				
Discretionary Sep 2	£171.16	176.60		−
Equity Sep 2	£193.58	200 21		−
International Sep 2	£24.63	25.32		−
Intl Bond Sep 2	£13.89	14.07		−
Fixed Int Sep 2	£103.83	105.01		−
Index Linked Sep 2	£73 20	74.13		−
Property Sep 2	£110.37	116.43		−
Cash Sep 2	£31.3242	31.3242		−
Pre-Linked Retirement Plan				
Managed Sep 1	409 5	426.6		−
Cash Sep 1	287.7	299.7		−
Prudential Pensions Investment Account				
Pens Mngd Sep 8	167 7	180.2	+0.2	−
Pens UK Eq Sep 8	292.5	315.4	+1 4	−
Pens Intl Sep 8	181.0	194.1	−1.3	−
Pens Global Eqty Sep 8	92.4	97.3	+0.1	−
Pens Fixed Sep 8	242.4	256 8	+1.1	−
Pens Index Lk Sep 8	190 8	201.5		−
Pens Property Sep 8	90 1	94 9		−
Pens Cash Sep 8	187.8	197 8		−
Money Purchase Plan				
Discretionary Sep 4	93.4	100.2	−0.4	−
Equity Sep 4	96 4	103.7	−0.6	−
International Sep 4	[illegible]	85 6	+0.1	−
Global Equity Sep 4	91.3	98 0	−0.4	−
Intl Bond Sep 4	95.3	100.3	−0.3	−
Fixed Interest Sep 4	112.2	117.9	+0.6	−
Index Linked Sep 4	100.4	105 6	+0.2	−
Property Sep 4	99.7	109.3		−
Cash Sep 4	107.1	112.4	+0 1	−

Prudential Individual Life Funds

1 Stephen St, London W1P 2AP 071-548 3287

	Bid Price	Offer Price	+ or −	Yield Gross
Series I Life Funds				
Managed	550.8	579 8	+0 1	−
Equity	1118.6	1177.5	+2 3	−
Fixed Interest	496.3	522.5	+1.8	−
Property	390 8	411 4	+0.8	−
Cash	349.2	367.6	+0 2	−
International	366.2	385.5	−2.0	−
Series II Life Funds				
Managed	532.5	560 6	+0.1	−
Equity	1078.7	1135 5	+2.2	−
International	354.1	372.8	−2.0	−
Fixed Intl.	476.9	502.0	+1.7	−
Property	375.6	395.4	+0.8	−
Cash	336 1	353 8	+0.2	−
Pacific Basin	175 8	185 1	−2.0	−

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Managers (IoM)						
PO Box 52, Douglas, IoM 0624 627610						
Intl Grth	5¼	455.8	455.8	489.5	(a)	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
LJ International	5¼	84.42	84.42	90.62	-0.09	-
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662256						
Merc Intl Fund	5	96.81	96.81	103.3	+0.10	6.6
Merc Intl Bond	5	50.57	50.57	53.18	+0.13	8.2
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						
Secure High Income	6	1.094	1.094	1.108		8.12
Unibank Scandinavian Fund Ltd						
19-21 Circular Rd, Douglas, IoM 0624 629420						
Scandinavia Fd	5	-	118.00	125.72		1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
ATC Fund Management (SG) Ltd				
SG International	$10.71			-
AXA Equity & Law Intl Fund Mgs				
European Equity	142.92	150.42	[illegible]	-
Far Eastern Equity	$2.3058	2.4263	[illegible]	-
North Amer Equity	$1.7267	1.8173	+0.0370	-
UK Equity	150.27	158.15	+2.51	-
Global Equity	[illegible]	[illegible]	[illegible]	-
UK Gilt & Fxd Int	100.27	105.53	+0.77	-
Dollar Deposit	50.9806			-
Sterling Deposit	£100.95		+0.02	-
Managed Currency	89.36	94.05	+0.06	-
Appleton Financial Advisers Ltd				

Equitilink International Mngt Ltd

First Aust Prime Inc Inv Co Ltd NAV Aug 27 C$12.26xd
First Aust Prime Inc Inv Co Ltd NAV Aug 27 US$10.27xd
NAV Diluted to reflect exercise of all Wrrts C$12.10rd

	Bid Price	Offer Price	+ or -	Yield Gross
Fidelity Investment (CI) Ltd				
Sterling American	£2.488	2.619	-0.005	-
Fleming Group				
Robert Fleming Management (Jersey) Ltd				
Czechoslovakia Inv Corp Inc	$9.46		-	-
Deutschland Inv Co NAV	DM16.53		-	-
Foreign & Colonial Mngt (Jersey) Ltd				
Hypo Foreign & Colonial Reserve Asset Fd Ltd				
US$ Cash	$10.82			-
Sterling Cash	£12.24		-0.02	-
US$ Bonds	$15.51		+0.03	-
Multicurrency Bonds	$21.31		+0.08	-
Sterling Bonds	£13.41		+0.03	-
D Mark Bonds	DM10.70			-
Ecu Bonds	Ecu11.48		+0.03	-
UK Equities	£9.69		-0.16	-
US Equities	$16.68		-0.06	-
Japanese Equities	Y634		+0.02	-
Conti Euro Equities	DM15.34		+0.02	-
UK Negative Equities	£23.84		+0.26	-
US Negative Eq	$9.96		+0.03	-
Japanese Negative Eq	Y-		-	-
Cont Eur Negative Eqs	DM-		-	-
UK Geared Equities	£9.72		-0.28	-
US Geared Equities	$-			-
Japanese Geared Eqs	Y2141		+0.00	-
Cont Euro Geared Eqs	DM10.03		+0.03	-
Gold	$9.92		+0.29	-
John Govett Management (Jersey) Ltd				
Natgs & Eur Co NAV Sep 3	$9.91			-
SyncSenko Fd NAV Sep 4	$7.96			-
Paragon Fd NAV Aug 28	$10.89			-
Paragon Redemption	$10.25			-
Hungarian Inv Co Jul 31	106.55			-

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

EC declaration has no impact

STERLING closed ½ pfennig down against the D-Mark in London yesterday as traders became increasingly concerned about the weakness of the US dollar and its impact on the European exchange rate mechanism, *writes James Blitz.*

Trading was thin because the US was off for the Labor Day holiday. But an atmosphere of uncertainty pervaded the market after last Friday's extremely poor figure for the August US non-farm payroll.

The drop in US employment, and the ¼ percentage point reduction in the Federal Funds rate that followed, have had two consequences. First, they have raised renewed fears of a drop in the dollar, which is certain to test DM1.40 on the downside today. Analysts said the producer price index, due out this Friday, could contain low inflation data and give the Federal Reserve a good excuse to push the discount rate below 3 per cent.

Secondly, there are fears that this drop will cause new tensions in the European Monetary System, because of renewed buying of D-Marks. Dealers appeared to be unimpressed by a declaration from European Community finance ministers at the weekend that an EMS realignment is out of the question. Mr Helmut Schlesinger, the Bundesbank president, still appeared uncertain on this point in a radio interview on Sunday.

The commitment from the Bundesbank not to raise interest rates "in present circumstances" was also disregarded. Mr Jim O'Neill, head of research at Swiss Banking Corporation in London, said the markets had already assumed that this was the case. "There is nothing new there at all," he added. "What the market wants to know is when the cut will come."

Mr O'Neill believes pressure on the pound could be intense in the next few days. In his view, the US payroll figure on Friday undid 75 per cent of the UK government's efforts in securing an Ecu10bn loan with which to buy sterling on the foreign exchanges. "The Bank will certainly have to spend that money this week, but the possibility that they will have to raise rates still exists," he said.

The pound ended in London yesterday at DM2.7950, off ½ pfennig on the day. The dollar closed unchanged at DM1.4030.

The Italian lira improved against the D-Mark as investors unwound short lira positions, knowing that the currency was unlikely to come under strong speculative attack while the US is on holiday. The heavy selling of the Italian currency on Friday may have been overdone, considering the 1¾ percentage points rise in interest rates that day. But a fall in the dollar to new lows would put the lira under pressure again. It closed at L763.5 to the D-Mark against a previous L765.0.

£ IN NEW YORK

Sep.4	Close	Previous Close
£ Spot	1.9955-1.9965	1.9825-1.9835
1 month	1.13-1.11pm	1.08-1.07pm
3 months	3.44-3.41pm	3.29-3.26pm
12 months	12.7-12.6pm	12.1-12.0pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

	£	$
Iran	2820.00*	1435.00*
Korea(Sth)	1545.20 - 1570.10	783.00 - 789.20
Kuwait	0.57900 - 0.58000	0.29040 - 0.29070
Luxembourg	57.65 - 57.75	28.90 - 29.00
Malaysia	4.9655 - 4.9785	2.4920 - 2.4930
Mexico	5975.10 - 5988.05	3065.00 - 3066.00
N Zealand	3.6780 - 3.6820	1.8435 - 1.8455
Saudi Ar.	7.4470 - 7.5240	3.7495 - 3.7505
Singapore	3.1790 - 3.1870	1.5950 - 1.5960
S.Af (Cm)	5.4770 - 5.4895	2.7475 - 2.7495
S.Af (Fn)	7.6290 - 7.6730	3.8240 - 3.8460
Taiwan	50.05 - 50.25	25.10 - 25.20
U.A.E.	7.2915 - 7.3690	3.6715 - 3.6735

*Floating rate Iran Official rate £122.55 $62.60

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 7	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	131.807	-1.36	5.45	22
Belgian Franc	42.4032	41.8455	-1.32	5.40	40
D-Mark	2.05586	2.02905	-1.30	5.39	52
Dutch Guilder	2.31643	2.28745	-1.25	5.33	37
Portuguese Escudo	178.735	177.180	-0.87	4.93	13
Irish Punt	0.767417	0.766842	-0.07	4.09	-19
Danish Krone	7.84195	7.84450	0.03	3.98	-24
French Franc	6.89509	6.90079	0.08	3.93	-31
Italian Lira	1538.24	1549.82	0.75	3.24	-61
Sterling	0.696904	0.724879	4.01	0.00	-79

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9905 - 1.9985	1.9925 - 1.9935	1.12-1.10cpm	6.68	3.40-3.37pm	6.79
Canada	2.3900 - 2.3960	2.3925 - 2.3935	1.07-1.01cpm	5.22	3.31-3.20pm	5.44
Netherlands	3.1475 - 3.1600	3.1475 - 3.1575	¼-parcpm	0.24	¾-¼pm	0.40
Belgium	57.55 - 57.90	57.65 - 57.75	3-2cpm	0.52	9-3pm	0.42
Denmark	10.7925 - 10.8525	10.8025 - 10.8125	¾-1¼oredis	-1.25	2½-4¼dis	-1.23
Ireland	1.0570 - 1.0615	1.0570 - 1.0580	0.07-0.03cpm	0.57	0.15-0.08pm	0.43
Germany	2.7900 - 2.8075	2.7925 - 2.7975	¼-parpfpm	0.27	¾-¼pm	0.45
Portugal	244.00 - 245.25	244.00 - 245.00	90-110cdis	-4.91	270-315dis	-4.79
Spain	181.45 - 182.40	181.45 - 181.75	45-55cdis	-3.30	150-163dis	-3.45
Italy	2131.50 - 2139.75	2134.00 - 2135.00	15-18liredis	-9.28	32-35dis	-6.28
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Sep 7	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.993	2.795	246.2	9.507	2.492	3.152	2134	2.393	57.70	181.6	1.379
$	0.502	1	1.402	123.5	4.770	1.250	1.582	1071	1.201	28.95	91.12	0.692
DM	0.358	0.713	1	88.09	3.401	0.892	1.128	763.5	0.856	20.64	64.97	0.493
YEN	4.062	8.095	11.35	1000	38.61	10.12	12.80	8668	9.720	234.4	737.6	5.601
F Fr.	1.052	2.096	2.940	259.0	10.	2.621	3.315	2245	2.517	60.69	191.0	1.451
S Fr.	0.401	0.800	1.122	98.80	3.815	1	1.265	856.3	0.960	23.15	72.87	0.553
H Fl.	0.317	0.632	0.887	78.11	3.016	0.791	1	677.0	0.759	18.31	57.61	0.438
Lira	0.469	0.934	1.310	115.4	4.455	1.168	1.477	1000.	1.121	27.04	85.10	0.646
C$	0.418	0.833	1.168	102.9	3.973	1.041	1.317	891.8	1	24.11	75.89	0.576
B Fr.	1.733	3.454	4.844	426.7	16.48	4.319	5.463	3698	4.147	100.	314.7	2.390
Pta	0.551	1.097	1.539	135.6	5.235	1.372	1.736	1175	1.318	31.77	100	0.759
Ecu	0.725	1.445	2.027	178.5	6.894	1.807	2.286	1547	1.735	41.84	131.7	1.

Yen per 1,000: French Fr. per 10 Lira per 1,000: Belgian Fr. per 100. Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

Estimated volume 8145 (16290)
Previous day's open int. 46721 (47334)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9930	1.9819	1.9592	1.9263	1.9804

BASE LENDING RATES

	%		%		%
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
Cl. Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

MONEY MARKETS

Futures fall back

STERLING futures opened higher yesterday morning as some dealers were encouraged by a promise from Bundesbank officials that there will be no rise in German interest rates "in present circumstances".

However, futures prices later fell back as sterling dropped below DM2.80 against the D-Mark. The government's recent decision to borrow D-Marks and buy sterling on the foreign exchanges has calmed the atmosphere in the markets. But there is lingering uncertainty over France's vote on the Maastricht referendum in two weeks' time.

The September and December contracts were tossed around by this uncertainty. In the morning, both contracts opened 9 basis points higher at 89.79 and 89.78 respectively, but they soon dwindled with the currency: the September contract closed 13 basis points down from its opening level and the December contract 3 basis points off. Both closing prices still discount a rise in base rates of ½ percentage point.

In the cash market, trading was dominated by the very large shortage of £2.4bn forecast by the Bank of England in the morning. Some traders felt that the shortage was the outcome of translating foreign borrowings, using part of the Ecu10bn borrowing facility arranged by the UK government last week.

In the early round, £1.8bn of the shortage was removed in a repurchase agreement for resale to the market in equal amounts on September 21 and 22 at 9⅞ per cent. If banks are willing to have their bills returned at this interest rate after the Maastricht referendum on September 20, they must be confident that there will be no increase in base rates following the result.

Simultaneously, the Bank bought £8m of Band 3 bank bills at 9¾ per cent and £17m of Band 4 bank bills at 9⅞ per cent. After revising the shortage to £2.25bn, the Bank then purchased £400m of Band 1 bank bills at 9¾ per cent, £3m of Band 3 bank bills and £35m of Band 4 bank bills. In the afternoon, the shortage was revised to £2.6bn and the Bank purchased £355m of Band 1 bank bills.

Three-month money softened in the morning to 10¼ per cent on the offered side. Following sterling's fall, it closed unchanged at 10⅛ per cent offered.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep 7) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm (Sep.4)

Prime rate	6	One month	3.04	Three year	4.36
Broker loan rate	5¼	Two month	3.26	Five year	5.29
Fed.funds	3	Three month	2.98	Seven year	5.87
Fed.funds at intervention	-	Six month	3.05	10-year	6.40
		One year	3.17	30-year	7.29
		Two year	3.89		

Sep.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.60-9.70	9.70-9.80	9.70-9.80	9.75-9.85	9.75-9.85	9.75
Paris	9⅞-9⅞	10⅛-10⅜	10⅜-10⅛	10⅛-10⅜	10½-10⅝	9.60
Zurich	7¼-7¾	7¾-8	-	7¾-8	-	-
Amsterdam	9.62-9.75	9.75-9.85	-	9.75-9.85	-	-
Tokyo	4⅛-4¼	4⅛-4⅜	-	3¾-3⅞	-	-
Milan	17¾-18	20¾-20⅞	-	17⅝-17⅞	-	-
Brussels	9⅛-9⅜	9⅛-9⅜	-	9⅛-9⅜	-	-
Dublin	10-10⅛	10½-10⅝	10⅝-10¾	10⅞-10⅞	10¾-10⅞	-

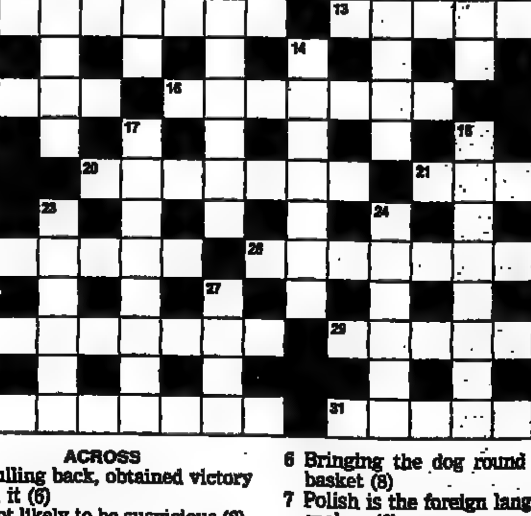
LONDON MONEY RATES

Sep 7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9¾	9⅞	10	10¼	10⅜	10⅜
Interbank Bid	5	9½	9⅞	10⅛	10¼	10¼
Sterling CDs	-	-	9⅞	10⅛	10⅛	10⅛
Local Authority Deps.	9¼	9¼	9⅞	10½	10⅝	10⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	8½	9⅜	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10	10⅛	10⅝	10⅝
Treasury Bills (Buy)	-	-	9⅝	9⅞	9⅞	-
Bank Bills (Buy)	-	-	9⅞	9⅞	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.00	3.00	3.06	3.18
SDR Linked Dep Offer	-	-	6¼	6⅝	6⅝	6⅝
SDR Linked Dep. Bid	-	-	6	6½	6½	6½
ECU Linked Dep. Offer	-	-	11⅛	11⅛	11⅛	11
ECU Linked Dep. Bid	-	-	10⅞	10⅞	10⅞	10¼

Treasury Bills (sell); one-month 9⅞ per cent; three months 9⅝ per cent; six months 9⅝ per cent; Bank Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent; Treasury Bills: Average tender rate of discount 9.5879. ECGD Fixed Rate Sterling Export Finance. Make up day August 28, 1992. Agreed rates for period Sep. 23, 1992 to October 25, 1992, Scheme I. 11.38 p.c., Schemes II & III: 11.66 p.c. Reference rate for period August 1, 1992 to August 28, 1992, Scheme IV&V: 10.379 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from September 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6), Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent, nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992, Deposits withdrawn for cash 5 per cent.

CROSSWORD

No.7,945 Set by ALAUN



ACROSS

1 Pulling back, obtained victory in it (6)
4 Not likely to be suspicious (8)
9 He got round the resident (6)
10 Deduced, as one had got into the red (8)
12 In a hurry to get the vegetable and fish on (8)
13 The paper will come out at that end (6)
15 Policeman circling round the prison (4)
16 He's instructed to get a cup full of water (7)
20 The joint editor, I see, is retiring (7)
21 Come to jail (4)
25 Unable to move, shouted for (6)
26 Make it a smaller number iron (8)
28 Besides having a greater surplus (8)
29 One is worried about the silly old fool (6)
30 Finding someone on the family tree is royal, to one's delight (8)
31 Whisper "When? About eleven?" (6)

DOWN

1 Retrieved when one escorted home (4,4)
2 Stayed longer, given the VIP treatment (6,2)
3 It indicates a requirement of fifty per cent less (6)
5 Left again (4)
6 Bringing the dog round in a basket (8)
7 Polish is the foreign language spoken (6)
8 Run to get help for someone stranded on the roof (6)
11 Break ranks and get out from under cover (7)
14 Can't keep one's hands still, but does! (7)
17 Leading some back into the garrison (8)
18 Left Ned playing darts, up and about (8)
19 Are they in no hurry to grow up? (8)
22 Quiver in torment — remorse, no doubt (6)
23 A stockholder (6)
24 Suffers from burns (6)
27 Don't allow to examine the wheel (4)

Solution to Puzzle No.7,944

هكذا من الأصل

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Sep 4	Sep 3	Sep 2	Sep 1	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3281.93	3292.20	3290.31	3266.26	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.58	102.57	102.24	102.04	102.58 (4/9)	98.41 (20/3)	102.58 (4/9/92)	54.99 (1/10/81)
Transport	1248.09	1262.07	1269.93	1240.23	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.46	219.70	219.70	220.02	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl Day's High 3306.25 (3325.97) Low 3265.18 (3268.96) (Theoretical)
Day's High 3296.52 (3313.27) Low 3277.61 (3285.17) (Actual)

STANDARD AND POOR'S

	Sep 4	Sep 3	Sep 2	Sep 1	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.08	417.98	417.98	416.07	425.09 (3/8)	394.50 (8/4)	425.09 (3/8/92)	4.40 (1/6/32)
Industrials	490.99	492.53	491.97	489.61	499.51 (3/8)	470.91 (8/4)	499.51 (3/8/92)	3.62 (21/6/32)
Financial	35.19	35.22	35.33	35.11	36.66 (3/8)	[illegible] (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	229.75	230.12	230.01	229.02	233.66 (3/8)	217.92 (8/4)	233.66 (3/8/92)	4.46 (25/4/42)
Amex Mkt. Value	384.85	385.10	382.73	381.44	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	573.44	574.88	571.25	565.61	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Aug 28	Aug 21	Aug 14	year ago (approx.)
Dow Industrial Div. Yield	3.16	3.17	3.11	3.01

	Sep 2	Aug 26	Aug 19	year ago (approx.)
S & P Industrial div. yield	2.63	2.64	2.62	2.70
S & P Indl. P/E ratio	27.52	27.18	29.06	21.33

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Gen Motors	1,784,900	35¼	+ ⅛
RJR Nabisco	1,663,000	8⅞	
Glaxo	1,627,500	29⅜	+ ⅛
PSEG	1,417,100	27⅛	+ ¼
Merck	1,256,700	48⅝	+ ⅝
Citicorp	1,140,000	16⅛	- ¼
Limited	1,109,200	22⅞	- ⅜
Waste Man	1,096,300	33⅛	- ⅛
USX-Marathon	999,200	18⅛	- ⅛
Sears Roebuck	978,900	41⅛	- 1⅛

TRADING ACTIVITY

† Volume (Millions)	Sep 4	Sep 3	Sep 2
New York SE	124.340	212.540	187.010
Amex	1.240	12.610	10.372
NASDAQ	122.378	196.497	170.335
NYSE			
Issues Traded	2,306	2,333	2,319
Rises	818	982	1,097
Falls	853	777	623
Unchanged	635	574	599
New Highs	64	71	63
New Lows	8	16	16

CANADA

TORONTO	Sep 4	Sep 3	Sep 2	Sep 1	1992 HIGH	1992 LOW
Metals & Minerals	2965.44	2981.61	2971.86	2924.51	3238.87 (16/1)	2828.26 (8/4)
Composite	3456.82	3453.24	3436.71	3407.63	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1802.38	1803.56	1792.15	1773.19	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50, Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Sep 7	Sep 4	Sep 3	Sep 2	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1514.9	1530.3	1526.3	1529.5	1684.50 (22/5)	1514.90 (7/9)
All Mining (1/1/80)	665.6	671.1	671.7	674.8	726.90 (3/7)	658.90 (25/8)
AUSTRIA						
Credit Aktien (30/12/84)	309.31	304.91	301.34	300.02	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	745.17	730.53	721.21	717.86	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1066.76	1070.36	1066.86	1046.07	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	271.99	271.75	269.93	268.82	365.29 (15/1)	268.82 (2/9)
FINLAND						
HEX General (28/12/90)	541.9	548.3	553.2	557.5	935.90 (24/2)	541.60 (7/9)
FRANCE						
CAC General (31/12/82)	483.17	486.49	475.75	462.23	555.93 (12/5)	462.23 (2/9)
CAC 40 (31/12/87)	1779.30	1778.98	1780.46	1711.41	2077.49 (11/5)	1667.72 (25/8)
GERMANY						
FAZ Aktien (31/12/58)	604.55	604.22	602.93	594.32	725.26 (26/5)	582.34 (26/8)
Commerzbank (1/12/53)	1707.8	1711.2	1703.8	1677.6	2043.80 (25/5)	1642.70 (26/8)
DAX (30/12/87)	1540.63	1536.50	1530.75	1536.67	1811.57 (25/5)	1468.91 (25/8)
HONG KONG						
Hang Seng Bank (31/7/64)	5664.41	5707.51	5722.46	5734.45	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1221.92	1228.32	1220.17	1219.18	1469.57 (17/1)	1208.18 (26/8)
ITALY						
Banca Comm. Ital. (1972)	361.52	371.51	371.43	375.34	551.59 (6/2)	361.52 (7/9)
MIB General (2/1/92)	727.0	729.0	728.0	736.0	1096.00 (5/2)	707.00 (7/9)
JAPAN						
Nikkei (16/5/49)	18440.18	18555.30	18306.49	17587.72	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1419.56	1420.38	1396.79	1349.05	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1808.87	1804.83	1788.06	1789.50	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	584.84	581.17	577.71	572.92	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tot Rtn Gen.(End 1983)	282.5	283.8	284.4	280.2	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	192.1	193.8	193.8	190.9	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE Ind (2/1/83)	561.94	559.73	561.79	552.83	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1413.79	1392.00	1392.27	1392.34	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	367.56	367.54	367.96	366.55	416.99 (21/1)	354.15 (19/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	943.06	935.0	935.0	940.0	1327.00 (21/1)	929.00 (29/8)
JSE Industrial (28/9/78)	4102.04	4111.0	4132.0	4079.0	4689.00 (4/6)	3973.00 (14/8)
SOUTH KOREA[**]						
Korea Comp Ex (4/1/80)	557.69	544.69	563.94	562.74	691.48 (2/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	216.03	216.42	216.30	209.82	266.51 (28/2)	203.76 (26/8)
SWEDEN						
Affarsvarlden Gen (1/2/37)	753.7	757.0	753.9	746.4	1014.50 (11/5)	732.30 (25/8)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	832.2	829.0	826.4	818.6	883.40 (11/5)	748.50 (5/1)
SBS General (1/4/87)	619.8	617.6	618.4	613.2	682.20 (11/5)	596.40 (26/8)
TAIWAN[**]						
Weighted Price (30/6/66)	3862.27	(c)	3988.49	3933.61	5391.63 (30/1)	3733.06 (20/8)
THAILAND						
Bangkok SET (30/4/75)	770.26	763.28	763.42	762.42	832.36 (7/8)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) (§)	514.6	513.8	516.1	506.7	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	819.99	818.90	822.99	825.16	976.55 (25/5)	832.99 (3/9)

** Saturday September 5: Taiwan Weighted Price (c); Korea Comp Ex 534.69. § Subject to official recalculation. *Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000; JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday, September 7, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Mining	2.0m	510	+ 10	Kaken Pharm	0.6m	1,470	+ 130
Nippon Zeon	0.9m	770	+ 35	Mitsubishi Mats	0.6m	472	+ 21
Ishi-Har Hvy Ind	0.7m	607	+ 7	Nomura	0.6m	1,730	- 40
Meiji Seika	0.7m	810	- 22	Yasuda Tst Bkg	0.6m	1010	+ [illegible]
Meiji Milk Prod	0.7m	1,130		Minebea	0.6m	495	+ 3

Interest rate questions loom beyond the Maastricht vote

With the scales tipping in favour of a Yes vote in the French referendum on the Maastricht treaty on September 20, European equity strategists are looking beyond the poll to the question of a cut in German interest rates.

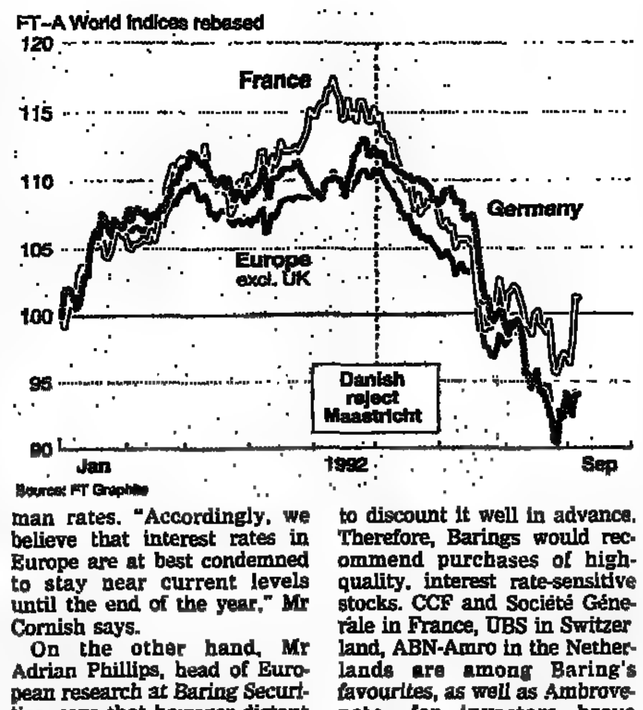
There appears to be agreement among them that European bourses have fallen too far since the Danish referendum in June. In spite of the short-term risks connected to the referendum result, current *levels offer a good buying* opportunity for longer term investors, they say. But the interest rate prospect is less encouraging.

Merrill Lynch recommends reducing high cash positions and re-allocating funds back into European equities, towards Germany and Sweden in particular. On balance, it believes that markets have now more than discounted a realistic assessment of the uncertainties which they face.

UBS Phillips & Drew is also of the view that European markets appear oversold and that they are better underpinned by fundamental value than other markets. It notes that France has outperformed Europe in July and August and expects it to do well as support for a Yes vote recovers. Germany has underperformed, it says, but may outperform in the next month as weak German growth resurrects the possibility of a rate cut.

Mr James Cornish at County NatWest says Maastricht is not the only consideration. In view of the slowdown in the US economy, underlined by last *week's weak August employ*ment figures, and increasing political worries ahead of the presidential election. County's forecast of the dollar at DM1.45 at the end of this year shows little improvement on the current level. Therefore, prospects for equity markets are likely to be similarly restrained.

The other underlying problem is German interest rates, and with German M3 unlikely to come down to within reach of the Bundesbank's target range until the winter, only the collapse of the west German economy into recession could force an early fall in German rates. "Accordingly, we believe that interest rates in Europe are at best condemned to stay near current levels until the end of the year," Mr Cornish says.



Source: FT Graphite

On the other hand, Mr Adrian Phillips, head of European research at Baring Securities, says that however distant a cut in German rates might be, bond markets are prepared to discount it well in advance. Therefore, Barings would recommend purchases of high-quality, interest rate-sensitive stocks. CCF and Société Générale in France, UBS in Switzerland, ABN-Amro in the Netherlands are among Baring's *favourites, as well as* Ambroveneto, for investors brave enough to venture into Italy.

While the influence of the referendum appears to be waning, it still influenced European *trading last* week, France and Spain leading the way with strong positive performances. But Italy suffered another dreadful week, culminating in Friday's lifting of the discount rate to its highest *level since 1985, in an effort to* protect the lira.

Generally robust senior bourses left the FT-Actuaries Europe index 1.6 per cent higher on the week, a performance matched by the World index. Spain's rally pre-empted a French endorsement of Maastricht. The market gathered strength during the week, with the general index ending 5 per cent higher.

Mr Stephen Hughes at Nikko Europe says that Madrid was partially inspired by the return of institutional investors, looking to buy for the short term. The recent clutch of better than expected interim results highlighted undervaluations in several shares, which contributed to the rise in volume as buyers returned.

The release of August inflation figures, expected early next week, may prompt some *investors to take early profits*, Mr Hughes says, since the increase in the VAT rate, introduced at the start of the month, is likely to result in a rise in the CPI of up to one percentage point.

Scandinavian markets continued to be dragged lower by a spate of bad news, especially from the financial sector, and according to some analysts there seems to be little prospect of the gloom lifting in the short to medium-term.

Mr Gordon Maclean, Scandinavian analyst at Robert Fleming, sees little prospect of an upturn in the economy or in corporate earnings this year. Signs of a recovery in the US economy have not fed through because of the weakness of the dollar, while in Sweden and Finland, pressure on domestic currencies led to a sharp increase in short-term interest *rates last week.*

Reporting by Antonia Sharpe and John Pitt

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	+1.10	-0.16	-31.45	-15.07	-15.97	-8.25
Belgium	+0.65	-5.23	-9.92	-6.89	-5.92	+0.34
Denmark	-4.67	-13.27	-31.05	-26.04	-24.58	-19.57
Finland	-3.70	-20.50	-42.99	-29.33	-29.73	-25.06
France	+4.20	+0.05	-2.66	+1.19	+2.97	+9.82
Germany	+1.88	-5.14	-11.39	-5.99	-4.69	+1.65
Ireland	-0.92	-2.44	-17.49	-12.43	-11.60	-5.71
Italy	-6.70	-12.08	-31.78	-25.95	-25.69	-20.75
Netherlands	0.00	-1.87	-2.97	+1.30	+2.58	+9.40
Norway	-8.45	-11.15	-39.58	-23.35	-22.90	-17.77
Spain	+5.51	+0.69	-19.46	-12.39	-13.05	-7.26
Sweden	-1.58	-7.43	-21.33	-7.12	-5.96	+0.30
Switzerland	+1.63	-2.43	+2.56	+6.39	+8.03	+15.22
UK	+2.02	+0.07	-12.76	-5.94	-5.94	+0.33
EUROPE	+1.58	-2.17	-11.91	-5.81	-6.13	+1.18
Australia	-1.92	-4.29	-5.72	-9.66	-19.75	-14.42
Hong Kong	+1.47	-3.74	+40.16	+32.11	+24.66	+32.96
Japan	+3.27	+21.46	-16.79	-15.85	-19.94	-14.61
Malaysia	+1.40	-1.59	+1.63	+1.58	+4.01	+10.93
New Zealand	+1.15	-4.66	-2.35	-8.56	-15.94	-8.19
Singapore	+0.67	-5.19	-9.91	-13.03	-18.07	-12.61
Canada	+1.62	+1.12	-3.30	-2.63	-12.08	-6.24
USA	+0.59	-0.44	+7.35	+0.05	-6.20	+0.05
Mexico	-1.09	-7.27	+7.30	-6.20	-11.88	-6.02
South Africa	+1.44	-7.16	-7.92	-9.17	-26.44	-23.68
WORLD INDEX	+1.57	+3.93	-5.56	-8.35	-10.46	-4.86

† Based on September 4th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities

EUROPE

Bundesbank's promise carries limited effect

THE weekend news that the Bundesbank would not raise its interest rates under current circumstances had a limited effect on European financial markets yesterday, *writes Our Markets Staff.*

FRANKFURT saw it more in bonds where the Bundesbank's average yield – calculated in late morning and also *reflecting last Friday's US* interest rate cut – fell 10 basis points to 8.24 per cent.

In the equity market, turnover fell from DM4.9bn to DM3.4bn, and the DAX index rose only 4.13 to 1,540.63. This, *said Mr Jens Wiecking at* Merck Finck in Düsseldorf, reflected fundamental problems like the lack of German economic growth, and disappointing corporate earnings.

A report that Klöckner-Werke expects a steel division loss of DM180m for the year to September 30 brought KW down by DM2.50 to DM8.50; its competitor, Preussag, fell DM13 at one point before recovering to DM352, down DM8 on the day.

Equities were also subdued by the question of when interest rates might actually fall. Bank Julius Bär in Frankfurt said that this might have to wait until after German wage contract negotiations in April and May 1993.

PARIS opened slightly higher but then drifted back by the close, a performance which masked severe declines in some stocks. The CAC-40 index ended 0.32 higher at 1,779.30, after a high of 1,793.52, in turnover of FFr2bn.

Carrefour, the supermarket group, opened limit down on heavy selling, in particular from London, following Friday's news of a 53.3 per cent drop in first-half net attributable profit and that its chairman, Mr Michel Bon, had resigned. The stock went as low as FFr2,050 before closing FFr224, or 9.7 per cent lower at FFr2,076 in heavy volume of 199,435 shares.

Eurotunnel was also a heavy faller, losing FFr2.00 or 5.4 per cent to FFr35.15, on worries *about its dispute with TML.* Accor, the hotels group, dropped FFr30 or 5.5 per cent to FFr520 ahead of its interim results, due today, which are expected to be disappointing.

Air Liquide, ex a 1-10 scrip *issue, closed a net FFr10* higher at FFr745, while L'Oréal jumped FFr33 or 3.4 per cent to FFr999 on good first half turnover figures.

FT-SE Eurotrack 100 - Sep 7							
Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1032.49	1030.87	1031.52	1032.73	1034.46	1033.88	1032.63	1032.28
Day's High 1034.83				Day's Low 1030.47			
Sep 4	Sep 3	Sep 2	Sep 1	Aug 28			
1029.27	1031.46	1011.19	1007.79	1013.54			

Base value 1000 (26/10/90).

Wall Street and Toronto were shut yesterday for Labor Day.

MILAN reflected the after hours falls on Friday, although a recovery in the lira provided some support as the Comit index fell 9.99 or 2.7 per cent to 361.52, its lowest close since mid-August 1985, in turnover estimated at more than L100bn after Friday's L117.6bn.

Mediobanca, which reported 1991/92 results in line with expectations, fell L180 or 2 per cent to L8,920, but recouped L130 after hours. Dealers were disappointed that the bank did not shed light on its performance since June nor make any comment on the recent speculation of a capital increase.

AMSTERDAM drifted down in quiet trading, the CBS Tendency index losing 0.6 to 109.3. Heineken fell Fl 5.70 to Fl 167.00 as investors took profits after Friday's 17 per cent rise in first-half profits. A number of analysts have lowered their full-year forecasts but remain long-term buyers of the stock. Its fellow brewer, Grolsch, lost Fl 3.00 to Fl 220.00 ahead of interim results due later this week.

ZURICH rose in low volume, the SMI index ending 13.9 higher at 1,788.3. Among chemicals, Roche certificates firmed *SFr50 to SFr3,440. There was* talk that a new issue of covered warrants on the certificates was being prepared.

BRUSSELS weakened slightly on the last day of the forward account, the Bel-20 *index losing 3.60 to 1,066.76* in low turnover of BFr527m. UCB, the chemical and pharmaceutical group, advanced BFr275 to BFr21,900 ahead of interim results due on Thursday.

VIENNA gained strongly as short-covering on the futures and options exchange pushed the ATX index up 14.69 to 745.17, its highest level for more than two weeks.

Wienerberger, the building materials supplier, continued last week's rally, gaining Sch120 to Sch3,320 while OMV was Sch21 stronger at Sch866.

STOCKHOLM fell in thin trading, as the Affärsvärlden General Index shed 6.3 to 750.7.

Last week's suspension of shares in Svensk Kredit continued to plague the banking and insurance sectors. Skandia, a major shareholder in Svensk Kredit, fell SKr4.50 to SKr62.50.

MADRID's general index lost 0.86 to 215.56 in turnover estimated at Pta5.5bn.

OSLO's all-share index fell 4.05 or 1.3 per cent to 309.04 after the central bank raised its overnight lending rate to 11.0 per cent from 10.0 per cent.

SOUTH AFRICA

Leading shares pared earlier gains on news that Ciskei soldiers had opened fire on ANC supporters, killing 14 people. Industrials fell 9 to 4,102 and the overall index was off 4 at 3,178. But golds rose 8 to 943 on the back of the firmer bullion price.

ASIA PACIFIC

Nikkei average eases on late profit-taking

Tokyo

SHARE prices finished easier on the day after late afternoon profit-taking eroded earlier gains and buying by dealers lost its momentum, *writes Emiko Terazono in Tokyo.*

The Nikkei average was finally 115.12 down at the day's low of 18,440.18. It registered a high for the session of 18,916.70 in the morning, as last Friday's Federal Funds rate cut in the US raised hopes of an immi*nent lowering of the official* discount rate by the Bank of Japan.

Volume fell to 380m shares from 754m as dealers, who have been active buyers recently, refrained from buy*ing. Declines led advances by* 509 to 489, with 146 issues unchanged, the Topix index of all first section stocks shed 9.52 to 1,410.56 and, in London, the ISE/Nikkei 50 index eased 2.12 to 1,135.30.

Short-covering by foreign investors and short-term buying by individuals were noted as hopes of an early credit easing lifted prices in the morning. Investment trusts came in with the profit-taking in the afternoon.

Major institutional investors were inactive. Since a high proportion of institutional portfolios is already invested in equities, institutions are not aggressive buyers of shares; and, due to "guidance" from the Ministry of Finance, they are unable to sell to take profits either. "Banks and life insurers which have sold stocks are receiving calls from the Finance Ministry," said Mr Masami Okuma at UBS Phillips & Drew.

Individual investors continued with speculative short-term trading. Nippon Mining, the most active issue of the day, rose Y10 to Y510 on the Aids theme.

Trust banks were firm on active short-covering. Yasuda Trust advanced Y96 to Y1,010 and Toyo Trust Y79 to Y1,030. Leading commercial banks lost ground on profit-taking. Industrial Bank of Japan fell Y30 to Y2,960 and Sakura Y100 to Y1,210.

Minebea, the leading ball bearing maker, put on Y3 to Y495. The issue saw active buying on reports over the weekend that it would sell NMB Semiconductor, its semiconductor manufacturing affiliate, to Nippon Steel. However, some earlier gains were lost as denials by Minebea of an agreement with Nippon Steel *prompted profit-taking. In the* morning session, the Japan Securities Dealers' Association said it would suspend trading of NMB Semiconductor shares on the over-the-counter market in order to allow investors to *confirm newspaper reports.*

In Osaka, the OSE average rose 13.12 to 20,134.62 in volume of 20.4m shares. Nintendo, the video game maker, gained Y100 at Y10,800 on bargain hunting.

Roundup

SENTIMENT varied in the Pacific Rim region yesterday, reflecting a fairly gloomy tone in the higher volume markets.

HONG KONG blamed Sino-US trade disputes, profit-taking and switching back into Japanese equities as the Hang Seng index ended 43.1 down at 5,664.41 after hitting an intraday low of 5,647.07 just before the close.

Turnover shrank from HK$1.82bn to HK$1.32bn. Selective profit-taking took in HSBC Holdings, which topped the actives list as it retreated HK$1 to end the day at HK$54.50.

AUSTRALIA reflected ner*vousness about interest rates* and the weak local dollar as the All Ordinaries index slipped 15.4 to 1,514.9. Turnover more than halved from A$291m to A$139.9m.

Brokers said banks were *depressed by the perception* that interest rates have bottomed. The sector was led down by NAB, 14 cents off at A$7.20, followed by ANZ and Commonwealth, each 8 cents cheaper at A$3.08 and A$6.66 respectively. Westpac dipped 7 *cents to a 7¼-year low of* A$2.83.

TAIWAN reversed early gains on meeting heavy selling of electronics stocks. The weighted index, which rose more than 40 points at the *opening, finished 36.22 lower* on balance at 3,852.27. The market was closed on Friday and Saturday due to a typhoon.

The electronics sector was weak after poor interim results, and amid talk that *some might fail to meet pay*ment deadlines to suppliers. Microtek fell T$2.10 to T$29.10.

SEOUL climbed steeply in moderate trade as President Roh set a date for his visit to China, and on news of a Siberian gas joint venture for the construction of a pipeline linking the reserves with Korea.

The composite index moved ahead 22.90, or 4.3 per cent, to 557.59 in turnover of Won298.9bn, against Satur*day's Won231.9bn.*

MANILA saw modest gains in leading telephone issue PLDT and state-controlled Philippine National Bank (PNB), and the composite index rose 21.70 to 1,413.70.

News that the government planned to sell 11 per cent of its PNB shares to a state pension fund, ensuring that government deposits remain intact in the profitable bank, helped PNB to move forward 12.50 *pesos to 277.50 pesos.*

BANGKOK reflected a spurt in property companies and Thai Airways as the SET index advanced 6.98 to 770.28 in turnover of baht 6.62bn.

BOMBAY had just one hour of trading instead of the usual two, but this still left the BSE index 60.42 stronger at 3,226.52 as speculators and small investors bet on a continued uptrend.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 7 1992								FRIDAY SEPTEMBER 4 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	127.46	−1.3	94.81	99.50	92.97	117.96	−1.1	4.44	129.10	95.92	100.50	94.17	119.27	153.68	126.79	150.00
Austria (19)	155.09	+1.5	115.37	121.08	113.13	113.06	+1.5	2.58	152.79	113.52	118.94	111.46	111.44	166.70	139.27	167.44
Belgium (42)	144.33	−0.3	107.37	112.66	105.27	103.04	−0.5	5.97	144.83	107.81	112.74	105.64	103.58	162.27	135.87	130.78
Canada (114)	127.69	−0.1	94.99	99.68	93.13	110.91	+0.0	3.14	127.79	94.95	99.48	93.21	110.91	142.12	124.32	138.39
Denmark (33)	215.87	+0.5	160.58	168.52	157.46	158.20	+0.3	1.78	214.88	159.65	167.27	156.73	158.76	273.94	211.06	255.78
Finland (15)	58.51	+0.1	43.52	45.68	42.68	47.44	−0.9	2.98	58.47	43.44	45.51	42.65	47.85	89.80	58.47	96.91
France (102)	165.35	+0.1	123.00	129.07	120.60	123.72	+0.0	3.63	165.22	122.75	128.61	120.50	123.75	168.75	148.06	140.54
Germany (64)	119.34	+0.1	88.78	93.18	87.05	87.05	+0.1	2.63	119.27	88.61	92.86	86.99	86.99	129.69	114.42	110.74
Hong Kong (53)	233.01	−0.6	173.34	181.90	169.97	231.20	−0.6	3.64	234.48	174.21	182.53	171.04	232.69	269.55	176.06	164.01
Ireland (16)	158.31	+0.1	117.77	123.59	115.47	118.31	−0.2	4.47	158.22	117.55	123.17	115.41	118.49	173.71	151.78	160.02
Italy (78)	58.17	−2.6	43.26	45.41	42.43	46.55	−2.8	4.46	59.75	44.39	46.51	43.58	47.90	80.86	58.17	73.09
Japan (473)	114.67	−1.1	85.30	89.52	83.65	89.52	−0.8	0.95	115.97	86.17	90.28	84.60	90.28	140.66	87.27	128.43
Malaysia (69)	238.95	+0.6	177.75	186.53	174.29	229.38	+0.6	2.75	237.60	176.53	184.95	173.31	227.99	250.47	212.49	207.52
Mexico (18)	1308.73	+0.1	973.56	1021.68	954.61	4386.42	+0.0	1.37	1307.49	971.42	1017.82	953.71	4365.12	1789.77	1259.54	1204.66
Netherland (25)	166.30	−0.4	123.71	129.83	121.31	120.04	−0.5	4.67	167.03	124.10	130.03	121.84	120.64	167.29	147.08	142.01
New Zealand (14)	43.10	−0.1	32.06	33.65	31.44	42.21	−0.2	5.36	43.13	32.04	33.58	31.46	42.31	48.52	41.00	47.32
Norway (23)	143.80	−2.2	106.97	112.26	104.89	108.23	−2.5	2.24	147.02	109.23	114.45	107.24	110.95	192.95	136.40	201.67
Singapore (38)	191.87	−0.1	142.73	149.79	139.95	141.07	−0.2	2.35	191.97	142.63	149.44	140.02	141.32	229.63	180.71	199.67
South Africa (61)	187.26	−1.4	139.30	146.18	136.58	156.96	−0.1	3.23	189.97	141.14	147.88	138.57	157.13	263.60	186.01	244.97
Spain (48)	144.76	−0.2	107.68	113.01	105.59	99.98	−0.4	5.98	145.05	107.77	112.92	105.80	100.38	181.72	133.79	154.30
Sweden (30)	180.67	−0.6	134.40	141.05	131.79	137.08	−0.7	3.00	181.69	134.99	141.44	132.53	138.05	200.28	171.48	192.16
Switzerland (61)	116.25	+0.5	86.48	90.76	84.80	90.12	+0.5	2.36	115.65	85.92	90.03	84.37	89.70	116.25	95.99	94.55
United Kingdom (228)	186.39	+0.2	138.65	145.49	135.94	138.66	+0.4	5.30	185.94	138.14	144.73	135.61	138.14	200.07	165.85	184.30
USA (522)	169.97	+0.0	126.44	132.66	123.98	169.97	+0.0	2.99	169.97	126.28	132.32	123.99	169.97	173.10	160.92	157.63
Europe (784)	149.43	+0.0	111.16	116.66	109.00	110.62	+0.0	4.31	149.44	111.03	116.33	109.01	110.63	156.88	139.31	143.21
Nordic (101)	162.92	−0.4	121.19	127.18	118.83	117.82	−0.5	2.55	163.49	121.47	127.27	119.25	118.45	188.52	159.53	188.24
Pacific Basin (715)	118.53	−1.1	88.18	92.54	86.46	94.29	−0.8	1.29	119.81	89.01	93.27	87.39	95.06	141.97	93.70	129.86
Euro − Pacific (1499)	131.03	−0.6	97.47	102.28	95.57	100.91	−0.4	2.68	131.80	97.92	102.59	96.13	101.36	145.21	113.80	136.60
North America (636)	167.32	+0.0	124.47	130.63	122.06	165.95	+0.0	2.99	167.32	124.32	130.27	122.07	165.95	170.31	156.70	156.07
Europe Ex. UK (556)	127.14	−0.2	94.58	99.27	92.76	94.56	−0.3	3.59	127.36	94.64	99.18	92.93	94.83	132.98	121.81	115.05
Pacific Ex. Japan (242)	156.38	−0.6	116.33	122.10	114.08	141.18	−0.6	3.77	157.37	116.92	122.53	114.80	142.01	175.31	148.00	144.45
World Ex. US (1692)	132.20	−0.6	98.34	103.21	96.43	102.92	−0.4	2.70	132.96	98.78	103.51	96.99	103.55	146.91	116.18	137.40
World Ex. UK (1986)	139.92	−0.4	104.09	109.24	102.07	122.07	−0.3	2.50	140.52	104.40	109.39	102.50	122.47	150.68	127.21	139.30
World Ex. So. Af. (2153)	143.73	−0.3	106.92	112.22	104.85	123.23	−0.3	2.81	144.22	107.15	112.28	105.20	123.56	153.05	130.04	142.53
World Ex. Japan (1741)	160.81	−0.1	119.63	125.55	117.32	143.09	+0.0	3.50	160.90	119.54	125.27	117.38	143.14	165.40	153.20	152.39
The World Index (2214)	143.94	−0.3	107.08	112.38	105.00	123.56	−0.3	2.81	144.45	107.32	112.45	105.37	123.86	153.70	130.66	143.20

Constituent change with effect 8/9/92: Deletion: Uni Storebrand Free (Norway). Markets closed September 7: Canada and USA.

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MOBILE COMMUNICATIONS

The emerging generation of advanced digital equipment and services promises alternatives perhaps even to the hard-wired telephone itself, writes **Paul Taylor**

Telephones lose strings

UNTIL RECENTLY, the telephone had changed little since Alexander Graham Bell invented it more than a century ago. For the majority of business and residential customers, it remained an impersonal piece of equipment, inconveniently tethered to the wall by a cable.

Beginning in the 1980s, cellular mobile telephone services began to add a new, more flexible dimension to telecommunications and proved so successful with business customers in some markets, particularly newly deregulated environments like those in the US and UK, that network operators could barely keep pace with demand.

To date however, these pioneering cellular systems, built around analogue technology, have been too costly for all but the most affluent domestic users, and in some markets have suffered from problems such as dropped lines and interference – the effects of traffic congestion and capacity constraints.

Now a new generation of advanced digital mobile communications equipment and services is emerging which promises secure, interference-free, cost-effective and feature-rich alternatives not only to older analogue cellular systems, but perhaps also to the hard-wired telephone itself.

Despite the recession which has slowed growth in some markets, including the UK, mobile communications is one of the fastest-growing and most profitable telecommunications sectors. Fuelled by advances in technology, competition and economies of scale, equipment prices are coming down.

By the end of the decade most consumers in wealthy nations will be able to afford a mobile telephone – heralding the possibility of a mass market for cellular telephony for the first time.

The introduction of digital networks, coupled with the opening up of new markets in Asia, eastern Europe and South America, is expected to help boost the worldwide total of cellular subscribers from about 15.5m at the start of this year to more than 50m by the mid-1990s.

Already the expansion of analogue networks and the building of new digital systems are generating a surge of infrastructure and end-user equipment orders. By 1996 EMCI, a Washington-based telecommunications consultancy, estimates that cellular telephone handset sales worldwide will reach nearly 19m units, valued at $11bn.

Cellular systems have managed to establish themselves as a vital part of the telecommunications profile of many countries. In the developed western nations mobile telephony has proved an important business tool, particularly for small businesses, while governments have discovered that licensing private sector mobile communications operators can be a useful way to introduce competition into a market previously controlled by state-owned monopolies.

For example, in Europe most governments have licensed private sector operators to provide mobile telecommunications services including digital cellular networks, although in every country except the UK, fixed wire telephone services are still a state-controlled monopoly.

Meanwhile developing nations, including those in eastern Europe, have found that cellular systems can provide a quick and relatively low-cost alternative to inadequate, unreliable or non-existent conventional fixed telephone networks.

Last year, despite slower subscriber growth rates in some countries, the worldwide cellular customer base grew by about 5m or nearly 50 per cent, according to EMCI. The introduction of digital networks in North America and Asia, particularly Japan, should help fuel continued cellular subscriber growth over the next few years. At present Asia accounts for just 17 per cent of world subscriber numbers but this is expected to rise to nearly 25 per cent by the mid-1990s.

However, much attention is focused on western Europe where the first digital cellular networks based on the pan-European GSM (Groupe Special Mobile or Global System for Mobile communications) standard began commercial operation earlier this year – about 12 months after what many consider to have been an over-ambitious target launch date.

Growth is expected to be particularly strong in Germany and France, where proprietary analogue systems and lack of competition have kept prices high and demand low. Over the next few years GSM services will roll out in 18 European countries and by the turn of the century the European Commission estimates that half the continent's 100m telephone extensions will be cordless.

The delay in the start-up of GSM services reflects several technical and administrative factors including the design complexity of a sophisticated digital network together with wrangles over issues like equipment-type approval.

In the process, some significant compromises have had to be made and some of the most important features of GSM, like the ability of subscribers to use their handsets anywhere in Europe where there is a GSM network, have yet to be implemented because of administrative delays in negotiating "roaming" agreements between network operators.

As a result, it is unlikely that there will be more than a handful of roaming agreements before the end of this year. It could be two or three years before GSM can be marketed as a pan-European service.

Initially, GSM handsets are expected to be more bulky and more expensive in most markets than their analogue equivalents. However, these disadvantages are unlikely to persist for long.

Mr Gordon Aspin, responsible for mobile communications product development at the UK-based Technology Partnership consultancy, says: "We are developing hand-portable equipment for our clients which will compete with any analogue cellular telephone on the market today in terms of size, weight, talk-time and manufacturing cost."

The key to achieving this lies in silicon chip integration, improving power consumption and new battery technology. Although Mr Aspin accepts that the development costs for GSM products are substantially higher than for analogue cellular – costs which manufacturers will try to recover in the initial price of terminals – he adds: "In the longer term GSM, with its large market in Europe and increasingly elsewhere, holds out the promise of very low cost terminals."

The introduction of GSM services will also provide network operators with opportunities for delivering "value-added" services. For example Sema Group, which has developed a number of products for GSM networks including the database software for locating, tracking and authenticating subscribers on a network, has designed a "short message service centre" for digital networks. Mr Martin O'Byrne, Sema Group communications division managing director, says this will allow cellular operators to provide voice mail services on their GSM networks.

Each GSM subscriber will also have a "subscriber identity module" – a smart card which stores customer information and plugs into any GSM handset to make it work. This smart card, rather than the telephone, contains the subscriber's number and provides the network with other information, for example where to send bills.

Some industry analysts already predict that by separating the sale of service from the sale of equipment the GSM smart card could turn the cellular service provision industry on its head and allow credit card companies and others to enter the field.

Other important changes could also be on the way. The introduction of digital cellular services such as GSM and PCNs (personal communications networks) in the UK which are aimed specifically at mass consumer markets, is resulting in a proliferation of mobile communications services and tariff structures.

Analogue system operators in Scandinavia and the UK have already responded to the imminent arrival of digital networks by repackaging their services around different tariff structures designed to attract new customers. For example Cellnet, one of the two analogue network operators in the UK, is to launch a service called LifeLine targeted at low-use customers after its research showed that about 1m people would consider using a mobile phone in the very near future if the pricing package was right.

In some markets, including the UK, there is a risk that cellular customers will face a bewildering array of service offerings. "It is a confused market as it is and it is going to become even more confusing," warns Mr David Savage, chairman of the Cellular Service Providers Committee within the UK Federation of Communications Services.

Meanwhile, some people are already looking towards the development of a truly global mobile communications stan-

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IN THIS SURVEY

Editorial production
Gabriel Bowman
and Sarah Murray

European subscriptions are up in spite of the launch of digital networks

Cellular systems given new impetus

THE advent of new advanced digital cellular telephone networks, far from undermining the growth in subscribers to traditional analogue systems, appears to have given the market added impetus.

Just a few weeks before the commercial launch of Europe's first digital (GSM) networks earlier this summer, the number of subscribers to western European existing cellular networks pasted the 5m mark for the first time.

According to figures compiled by the Mobile Communications FT newsletter, this milestone was achieved in spite of a marked slowdown in growth rates in several markets last year, including the UK, partially offset by particularly strong growth in 1991 in the German and Italian markets.

Meanwhile in the US, the world's largest cellular market, the number of cellular subscribers grew by almost 40 per cent to 7.5m last year and could top 10m by the end of 1992, according to analysts.

By 1996 EMCI, the Washington-based international telecommunications consultancy, estimates that the world cellular market will have grown to 53.6m, with analogue systems still accounting for 76.2 per cent of the total.

Although a growing proportion of new subscribers will be using digital systems in the US, Europe and other markets, as EMCI notes, "the complete migration to digital cellular will take many years".

Indeed digital systems are likely to suffer from some drawbacks initially, including bulkier and, in some markets, more expensive handsets and the fact that in Europe at least, it may be the mid-1990s before many national GSM networks are fully operational.

This means that early subscribers will not be able to use one of GSM's most attractive features – the ability to "roam" across national borders. Even where GSM networks are in place, this feature will be available only when commercial agreements are reached between national operators and once other technical and administrative problems have been resolved.

In some countries – such as Germany, which is quickly becoming the most dynamic market in Europe – the imminent commercial launch of the GSM digital system by Mannesman Mobilfunk has prompted Deutsche Telekom, the state-owned operator of the C-Netz cellular network launched in 1985, to step up its marketing. This has helped produce a remarkable surge in subscriber figures in the past year.

Another factor which has helped boost analogue system subscriber numbers recently has been economic liberalisation and the opening up of new markets, particularly in Asia, Latin America and eastern Europe

"The complete migration to digital cellular will take many years"

In places such as the former east Germany, cellular systems have provided an attractive and rapidly installable alternative to the overloaded fixed telephone service. For example, Deutsche Telekom launched the DAL project (Drahtlose Anschlussleitung – meaning wireless subscriber line) based on network equipment supplied by Nokia and designed rapidly to increase the number of telephone lines in economic centres in eastern Germany such as Leipzig, Dresden and Berlin.

Although the focus of DAL project is short term, the use of cellular technology as part of a traditional fixed network marks an important trend in telecommunications and illustrates how cellular communications have become a feasible alternative mass market approach to providing a phone service.

Similarly, Hungary's cellular network, launched in October 1990 by Westel, a joint venture between US West and the Hungarian Telecommunications Company, has provided companies with an alternative to the fixed network, which is unreliable and frequently unavailable.

In some countries, however, capacity constraints on cellular systems have begun to hinder growth. One of the reasons for the slow growth in Belgium, which recorded the lowest growth in Europe last year, was the saturation of the NMT-450 network ahead of the launch of the Belgian PTT's GSM system. Similarly in France, the shortage of frequencies has been a major problem for the two networks run by France Telecom and its private sector rival, Société Française du Radiotelephone.

In other markets such as the US – where the debate over which technology cellular network operators will use to digitalise their services is still raging – operators needing additional capacity immediately are using, or planning to use, new methods for expanding old analogue networks.

Among these methods, Motorola has developed a technology known as Namps (Narrowband Advanced Mobile Phone Service) which can increase analogue network capacity three-fold, thereby delaying the need for digitalisation. Operators that have placed orders with Motorola for Namps systems include CRM, the consortium which operates a cellular service in Buenos Aires, cellular operators in Israel, Thailand and Bell Atlantic Metro Mobile, Centel Cellular and US West in the US.

Meanwhile AT&T, the US telecommunications group, and others have developed the Microcell concept which can be used in tandem with any network technology. Microcells can dramatically increase network capacity and, according to AT&T, enable big savings to be made by operators of small to medium-sized cellular networks that had previously thought they would have to digitalise their networks.

Where sufficient capacity already exits ahead of the launch of digital systems, analogue cellular network operators are also proving adept at devising marketing and pricing strategies designed to reposition their services as cheaper, consumer-orientated products.

For example, in both the Swedish and Norwegian markets, which have had cellular systems for 10 years and have the highest penetration levels in the world, operators have launched special cut-price services aimed at consumers who cannot afford the high price of normal cellular services but want to use mobile telephones in the evenings and at weekends.

Most of the early cellular pioneers have long since recouped their original investment, so the task now is to maximise return on investment before digital services become established.

One of the boldest marketing moves has come from Cellnet, one of the two UK cellular network operators. Cellnet has invested more than £700m in its network, including £4m a week in 1990 to alleviate the then growing problem of congestion and dropped calls caused by the surge in demand in the late 1980s. Since then, however, network growth in the UK has slowed dramatically and Cellnet, like its rival Vodafone, now has surplus capacity.

"Up to 10m people are seriously interested in mobile phones"

In a move which rocked the UK market in June, Cellnet said it would launch its new "LifeTime" tariff, cutting the cost of subscribing to its analogue service in an attempt to tap the low-use consumer market. The new tariff package will be sold through high street outlets and will be available later this year.

Subscribers to the new package will pay a low connection charge and half the usual £25 monthly charge, but calls will be twice as expensive as the normal business users' tariff.

Announcing the initiative, Mr Stafford Taylor, Cellnet's managing director, said: "There is a huge potential demand for mobile phones. Our research indicated that up to 10m people are seriously interested, with 1m simply waiting for the right price to buy."

Cellnet's initiative – which has subsequently been matched by Vodafone announcing a similarly structured low-user tariff package called LowCall to be launched next month – will partly be judged on its success in attracting new customers while minimising the number of its existing business customers who simply migrate to the new scheme. Cellnet itself is predicting that its new low-user tariff will attract 200,000 new subscribers in the first year while Vodafone is somewhat less bullish.

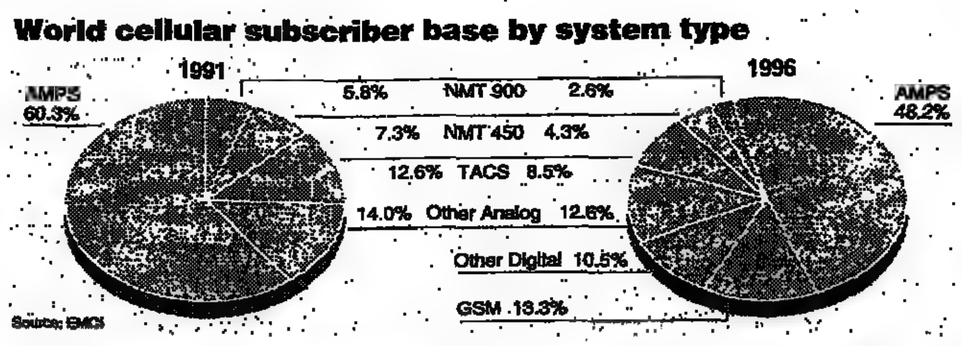
These customers will also require the low price handsets for sale in the high street such as the model – at under £300 – which Sony has said it will manufacture for use with the LifeTime service.

Cellular services such as LifeTime and LowCall, aimed at domestic consumers, will rely on handset manufacturers bringing out new low-cost hand-portables. These are unlikely to involve the same level of new connection payments from network operator to service supplier and then to dealers – payments which dealers in the UK have traditionally used to subsidise the retail price of handsets.

Ultimately, however, the success of analogue network operators in broadening the appeal of their services will depend upon their ability to differentiate services and fine-tune tariff structures and charges to address different markets – something which will be crucial for those operators who will have both analogue and digital services.

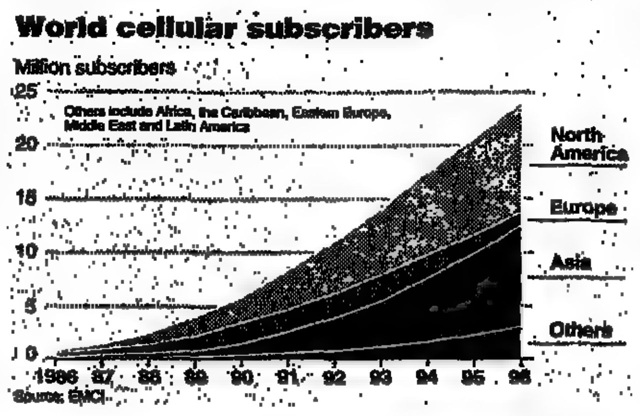
Paul Taylor

World cellular subscriber base by system type



Source: EMCI

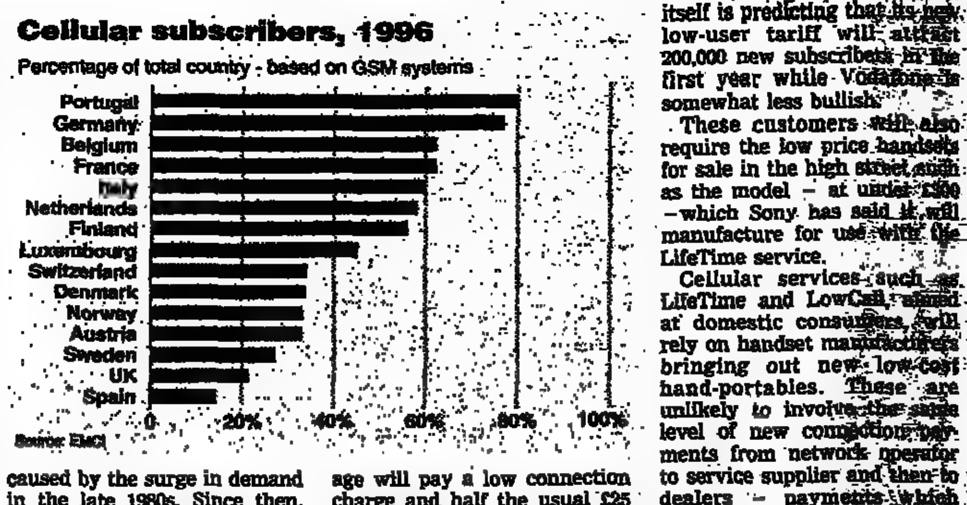
World cellular subscribers



Source: EMCI

Cellular subscribers, 1996

Percentage of total country - based on GSM systems



Source: EMCI

PERSONAL COMMUNICATIONS NETWORKS

Drive for the mass market

THE architects of the next generation of digital cellular systems – to be launched in the UK next year – are gambling on being able to persuade consumers to trade in their hard wired home telephone for the latest in pocket-sized hand sets.

Although analogue cellular services have proved highly popular with business users wherever they have been introduced, they are expensive and have not generally succeeded in penetrating the individual or residential markets.

But those building the new personal communications networks (PCNs) know that, to justify their huge investments in digital technology, they must reach the mass consumer markets by delivering attractively priced and feature-rich alternatives to the plain old telephone service.

Mr Richard Goswell, managing director of Mercury Personal Communications, one of the two remaining licensed PCN operators in the UK, says PCN will "give you a new type of telephone service released from the umbilical cord of BT" and provide the first real alternative to wired telephones since their invention more than a century ago.

He believes that PCN will broaden the mobile telephony market and will not only provide a telephone which is available at all times, but also give users much more control over their personal telecommunications services.

But he also acknowledges that "people will be reluctant to separate from BT" and that, in spite of its functional benefits, PCN will win customers away from BT only if it is "the economically rational thing to do".

MPC, a joint venture between Cable and Wireless and US West, is promising a PCN service that will offer pricing options which it says are an "attractive alternative to the existing cellular and fixed wire operators for both business and residential customers".

But elsewhere, much of the initial enthusiasm for the PCN concept appears to have evaporated and the original PCN launch target of autumn this year has been slipping. In 1989, when the UK government asked companies to apply for PCN licences, international consortia rushed to compete, encouraged by predictions of 10m to 15m customers by the end of the century.

Since then, the UK economy has sunk into recession, forecasts of the number of cellular subscribers by the end of the century have been scaled down and the need for heavy investment – estimated by some as up to £1bn for a nationwide PCN network – has scared many of the original PCN shareholders.

Panasonic's H-Series hands-free mobile cellular phone

Outside Britain, the US and most other European countries remain cautious abut PCN-style services. In Europe, only Germany has followed Britain's lead and announced plans to license a national PCN-style operator with the licence due to be awarded in December.

A recent report on western Europe's telecoms markets by London-based analysts, CIT Research, said that "the massive investment required to install a national [PCN] network, with no guarantee of a return on investment in the medium or even longer term, may deter many countries from licensing PCN", thus preserving the dominance of the public telephone operators.

It now seems highly unlikely that PCN systems will be widespread in Europe before the late 1990s, by which time other digital cellular services such as the Pan-European GSM (Global System for Mobile Communications) networks will be fully operational. In the UK, the two existing cellular network operators, Vodafone and Cellnet, are building GSM systems; both have already announced competitive responses to PCN.

PCN technology is similar to that for GSM although PCN phones, which are covered by the European DCS1800 standard, will operate at the higher 1800MHz (MegaHertz) frequency where there is more spare capacity than the 900MHz used by GSM. However, this means that the cost of building a PCN network will be roughly double that of a GSM network because using high frequency signals with a relatively short range requires more transmitters.

One advantage of using small digital cells is that PCN handsets will be able to operate at lower power and so should eventually be lighter, smaller and cheaper than GSM phones as well as offering secure, interference-free communications.

Nevertheless, the uncertainties have led to a growing perception that PCN technology is a more risky investment than at first appreciated and help explain the game of musical chairs played by shareholders in the three consortia originally licensed to offer PCN services in the UK.

The PCN autumn launch target has slipped. And forecasts of the number of cellular subscribers by the end of the century have been scaled down. A nationwide network might cost £1bn

This began with abortive merger talks between Microtel and Unitel, two of the licensees, at the end of 1990. Subsequently Pacific Telesis, Matra and Milicom pulled out of Microtel leaving it controlled by British Aerospace. In July last year BAe sold Microtel to Hutchison Telecommunications (UK), part of the Hong-Kong-based Hutchison Whampoa group, in exchange for a minority stake in the group's UK subsidiary.

Meanwhile Cable and Wireless took sole control of Mercury PCN, the third licensee, by acquiring Motorola's stake, and announced plans to build a single shared network with Unitel, jointly owned by Thorn-EMI of the UK, Northern Telecom of Canada and US West.

In March this year Mercury PCN merged with Unitel to form Mercury Personal Communications, leaving just two players left in the PCN race.

Mr Richard Goswell of Mercury Personal Communications acknowledges that there has been "a certain amount of settlement" among PCN shareholders, but says three PCN licences was always one too many. "The number of operators now is right," he says.

However, some market analysts, such as UBS Phillips & Drew, have suggested that Hutchison Whampoa is carefully monitoring the performance of its UK telecommunications subsidiary's other new but lower-cost UK activities – such as paging, telepoint and mobile data – before finally deciding whether to back the heavy investment needed to launch the PCN service.

The PCN operators also face other competitive challenges. Vodafone, which is already testing its GSM network in the UK, has announced plans to launch its own version of a digital personal communications service in the first half of 1993, extending it to all urban areas by the end of 1995.

Vodafone's Micro Cellular Network (MCN) will begin testing early next year and will be launched "no later than July", according to Mr Chris Gent, Vodafone's managing director.

MCN will be a low-cost urban-based service to be launched in south-east England in mid-1993, aimed at domestic customers and run on the back of Vodafone's GSM service operating at the same 900MHz frequency but involving the building of 3,000 micro-cells to meet the expected higher capacity requirements.

Call charges are expected to range from only 10p a minute within a user's home town, to 20p a minute for national calls, putting the service in direct competition with fixed telephone networks. MCN subscribers who travel outside their home area will also be able to access the nationwide and Pan-European GSM services, but at premium rates.

Like the PCN operators, Mr Gent believes MCN will help make mobile telephony available to many more people and believes that, in spite of the recession and other setbacks, there could be 7m or 8m mobile phone subscribers by the end of the century, with the as yet untapped domestic market accounting for half of this.

Additional competition, at least in the business and corporate markets, could come from low cost regional varieties of GSM itself. Cellnet has put back the commercial launch of its nationwide GSM service in the UK until at least 1994, but says its research has shown demand for a regional digital service initially in areas such as London, southern England, Greater Manchester and Birmingham.

Accordingly, Cellnet plans to introduce what it calls Local System for Mobile communications (LSM) regional services ahead of the launch of a national GSM network. LSM will probably be introduced first in London and is likely to be launched at the same time or even before the launch of PCN and MCN services next year. Cellnet has said its LSM services will have low usage costs to offset the expected high price of GSM handsets.

Cellnet also sees LSM as one way to help manage the transition from analogue to digital cellular systems and to test customer response to GSM. For the moment "no one is banging on our door saying we must have a digital phone", says Mr William Ostrom of Cellnet.

Whether PCNs and other new digital mobile services aimed at mass markets can succeed in making inroads into domestic and traditional office environments will soon be tested. There is, however, little doubt that the old distinctions between fixed and mobile networks are already beginning to become blurred.

Paul Taylor

Telephones

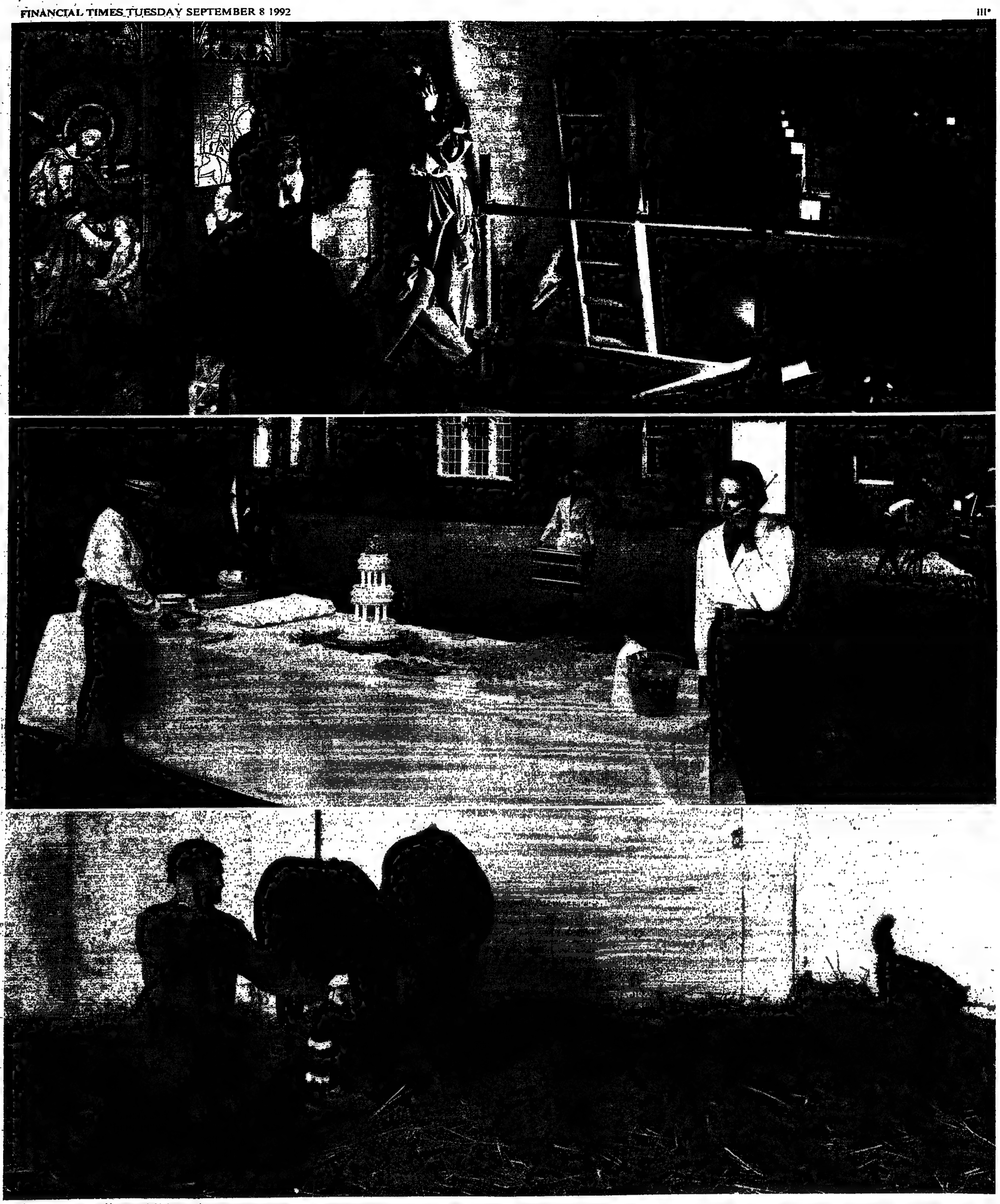
Continued from previous page

dard – a third generation of mobile communications systems which would be based on a single common standard.

The prospect for the introduction of FPLMTS (future public land mobile telecommunications systems) early next century was given a boost earlier this year when the World Administrative Radio Conference agreed to designate a common band of frequencies around the world for the next generation of mobile communications services.

In the meantime several organisations and private sector groups have announced plans for satellite-based global mobile communications systems. Among them is Motorola's $2bn Iridium project, which is intended to go into service in 1996. It involves the launch of 77 low-orbit satellites and would bring satellites into direct competition with terrestrial mobile communications technologies.

Whether future mobile communications needs are met by terrestrial or satellite-based systems, the day when children ask whether it is really true that telephones used to be attached to the wall by wires moves ever closer.



MOBILE RADIO seems to some to be the Cinderella of mobile communications. Where cellular enjoyed a ball in the boom years of the mid-1980s, mobile radio sat quietly at home. The conventional Private Mobile Radio (PMR) market showed steady, but not spectacular, growth.

However, developments were in the offing. 1988 saw the launch in the UK of a new kind of mobile radio service called Public Access Mobile Radio. PAMR has since spread into Europe and mobile radio is set to benefit like other mobile communications technologies from digitalisation.

The idea of PAMR is to save users money. Whereas users of private mobile radio systems have to buy and maintain their own radio transmitters as well as base-stations, users of PAMR can use radio transmitters maintained by a network operator. They have only to buy or lease their handsets and pay a subscription charge.

Since 1988, when PAMR was launched in the UK, it has been introduced on the same standard (MPT 1327/43) in France, Germany, Holland and Switzerland. Spanish operator Telefonica has been running networks for the Olympic Games in Barcelona and for the Universal Exhibition in Seville. Italy is interested. Belgium is believed to be considering launching too.

Performance in the UK has not been so good, says Ms Juliet Hale of market research company Systems Dynamics. The merger in April this year of national PAMR operators GEC National One and Band Three Radio could appear to prove her right.

But Mr Richard Sellers, chairman of the UK's Regional Band III (PAMR band) Operators Committee, disagrees. He says difficulties with MPT 1327/43 and disputes over the intellectual property rights involved meant original licensees were late to market, by which time the UK was dipping into recession. There was a shortage of PAMR handsets for users and the UK was already a very mature mobile radio market.

This meant cellular took away from PAMR before it could get onto the starting blocks. When cellular started in 1985, it was the only wide area scheme available at the time, say some industry sources, and it attacked a market niche that trunked mobile radio would have addressed.

The FM1000 Series, a comprehensive range of mobile radio communications equipment for the professional user

MOBILE RADIO

Cinderella is off to the ball

That could be about to be put right. Large customers such as county councils and utilities which may have bought cellular in 1985 are now finding their systems coming up for replacement.

With public mobile radio operators not charging for airtime and charging monthly subscriptions of between £10 and £50 – comparable at the low end with cellular – many are reported to be choosing mobile radio which Mr Sellers claims can be "10-20 times more cost-effective than cellular telephony".

Added to which, he says, "the cost of terminals has come down and the number of features has gone up. The appeal of PAMR across the board has become much greater." In fact, the MPT 1327/43 standard has provision for a large number of features which are only now coming on stream, such as call diversion and data facilities.

Mr Sellers puts the total UK mobile radio market at between 550,000 and 600,000 terminals in service. He estimates that there are 29,000 National Band Three customers and at least 11,000 users of regional PAMR networks. Between 35,000 and 40,000 customers use public access systems with more localised customers. His total market figure excludes terminals in use by emergency services, taxi companies and government departments.

Those user numbers could be boosted if, as some predict, mobile data customers choose mobile radio operators instead of dedicated mobile data network operators for service.

The mobile data market has had a shock recently with the demise of one UK operator, Dowty-backed Cognito. Although not a direct comment on the viability of mobile data networks as such – Dowty's buyer, TI, never intended to keep it – mobile radio operators are quick to point out that here is a market opportunity for them.

"There is a lot of hype on with the mobile data networks," says Mr Andrew Barrett, technical director of Key Radio Systems, a maker and distributor of two-way radio systems based in Aldermaston, Berkshire. "But my impression is that the market does not just want data. It wants speech and data." This, he says, is something mobile radio can very well offer.

"There has always been a data facility on band three (the PAMR band). It is hardly ever used. People are starting to ask for that more and more." Lower costs could underline the case for sending data over mobile radio and not over mobile data networks, Mr Barrett says.

He notes that some mobile radio networks offer lower tariffs for users wanting to transmit data. They use the network for less time. And mobile radio networks can handle messages of between 100 and 200 characters.

In this war on cellular and mobile data, the arrival of digital mobile radio systems can only help the mobile radio cause.

"Digital offers certain benefits in itself," says Mr John McKendry, manager, regulatory affairs of Cambridge-based Philips Telecom Private Mobile Radio, the UK equipment maker.

"Quality is better than analogue and you can mix voice and data together in one bit stream. Digital streams are easy to encrypt and can be interfaced with the public switched telephone network." But it also offers other possibilities for mobile radio, as Mr Andrew Dean, marketing manager, private mobile radio for Motorola in the UK, explains.

In a recent presentation to the UK's Communications in Public Safety Conference, Mr Dean said digital mobile radio systems could offer vehicle location, facsimile, still picture and slow video transmission.

Three manufacturers, Sweden's Ericsson, Chicago-based Motorola and France's Matra have their own digital systems.

Meanwhile, ETSI (European Telecommunications Standards Institute) is developing a standard digital mobile radio system called Tetra (Trans European Trunked Radio). However, not all commentators are optimistic about the chances for digital mobile radio. According to some, Tetra could experience problems.

Systems Dynamics' Ms Hale thinks it could be difficult to sell Tetra systems when they start appearing – it is hoped from the middle of the decade – because of the presence of Motorola's, Ericsson's and Matra's home-grown systems.

Overall, she says, demand for digital systems will not start to take off until 1995 and then only in the trunked (shared channel) and PAMR sector. About 10 per cent of European users will want digital systems then, she says, with the number rising to 98 per cent by the year 2000. In the conventional single channel PMR sector, only 25 per cent of European users will want digital systems by the turn of the century.

While they wait for digital systems to come on stream, UK operators and manufacturers have steady growth to look forward to, says Mr Sellers. Regional PAMR systems are showing steady net growth in spite of the recession. And there is going to be a lot of replacement business for older conventional systems.

About 10% of European users will want digital systems in 1995 – rising to 98% by 2000

Motorola's Mr Dean takes an equally optimistic view. The UK installed base of terminals is growing at about 5 per cent a year, he says. Other industry sources say the number of licences issued a year in the UK is growing by 13 to 15 per cent.

Their feeling is that growth in the number of mobiles taking up those licences is similar.

As if to underline the sector's cautious optimism, the UK's Department of Trade and Industry only last month decided to allow 13 regional PAMR operators to provide their own fixed links in their networks and service to fixed terminals.

Mr Sellers hails this as a great move forward. Operators should now be able to offer speech and data communications between two fixed points and not just links between a base and a mobile. And being allowed to provide their own fixed links will save mobile radio operators from having to lease them from Mercury Communications and British Telecom. Another way of saving money; another weapon in the war on cellular.

Paul Chambers

SATELLITES

Leos go anywhere

CELLULAR mobile telephones have become a common sight in recent years. They make the user much more accessible than he or she could possibly be using fixed phone networks. But they have one disadvantage. There are parts of the world – considerable parts in fact – that mobile phone networks simply do not reach, writes Paul Chambers.

Recently, several companies have come up with ambitious proposals to put this right. They have decided it is technically feasible to turn the typical cellular telephone network on its head. Literally. Instead of having radio transmitters on the ground, put them on board satellites in low earth orbit (Leos for short). The idea is: put enough satellites up there and you will be able to get in touch with a mobile phone anywhere.

There are five companies proposing Leo systems: Motorola Satellite Communications of Chandler, Arizona has a system called Iridium, Loral Qualcomm Satellite Services of New York (Globalstar) TRW Space Technology Group of Redondo Beach, California (Odyssey), Constellation Communications of Herndon, Virginia (Aries) and Ellipsat of New York (Ellipso).

London-based Inmarsat (International Maritime Satellite Organisation) proposes a service called Inmarsat-P (for portable) which could use a combination of low earth orbit satellites and its existing geostationary satellites. Inmarsat has pioneered voice data and facsimile communications with small terminals. But, to date, they are no smaller than a briefcase, something on which Inmarsat-P and the other systems should improve.

The number of satellites proposed varies. Motorola's Iridium will have 66, Globalstar 48, Odyssey 12, Aries 48 and Ellipso 24. All will use circular orbits except Ellipso, whose satellites will use elliptical orbits, hanging high over the parts of the world to be served, before swooping low around the back of the earth. Ellipsat claims this will offer longer coverage of key markets for less satellites and a more cost-effective system.

Investment costs will be high. Estimates in alphabetical order are: Aries $192m, Ellipsat $230m, Globalstar $1.2bn, Odyssey $1.3bn, Iridium $3.4bn. The cost of offering Inmarsat-P is undisclosed.

Competition for investment money is keen. Nearly all the operators had hoped earlier this year to be granted "pioneer's preference". This designation, in the gift of the US regulatory body, the Federal Communications Commission (FCC) would have recognised one company as the pioneer of the low earth orbit idea.

Pioneer's preference could have meant the selected operator getting first choice on spectrum, making it easier to get investors on board, explains Mr Joe Tedino, of Loral Qualcomm Satellite Services.

In the event, the FCC decided all operators had done equal research on Leos and declined last month to award any operator pioneer's preference. Mr Tedino expresses relief. This "substantial decision means all operators are on an equal footing to compete for services," he says.

Behind the anxiety over who might or might not get pioneer's preference, there was particular concern about whether Motorola would perhaps corner the market. This led to a move in April by TRW and Loral Qualcomm to get the FCC to deny Motorola permission to launch an experimental version of Iridium.

At the time they said they feared launch of an experimental system could "prejudice the results of licensing" and "predispose the FCC to choose Motorola". The FCC later granted Motorola, Constellation, Globalstar and Ellipsat permission to launch experimental satellites. TRW was allowed to simulate service using equipment on aircraft and balloons.

"We don't feel the need for a body to regulate Europe, let alone a worldwide regulator"

But wider anxieties remain. One concern is about how to regulate Leo operators. The European Commission and the US State Department have been in touch about this question.

One problem is that licences issued through the US could be taken "by implication if not necessarily by desire be taken to have validity in Europe," explains Mr Paul Verhoef of the European Commission.

Another concern is about whether the market will support everyone who wants a share of it. "If the US were to license two systems and if we in Europe would want to license two more, all four could go down the drain," Mr Verhoef says.

Organising frequency is not in itself likely to prove difficult. An international conference in Malaga this year agreed on broad frequency bands for global mobile systems. Now a frequency co-ordination body of the International Telecommunications Union will circulate individual frequency requests to its 172 members and sort out any clashes with existing users on national territories.

Day-to-day running and regulation of operators will remain in the hands of national regulatory bodies. At the World Administrative Radio Conference, the idea of creating a kind of Intelsat (International Telecommunications Satellite Organisation) or Inmarsat to regulate the operators of global mobile systems was mooted.

But, says Mr Gerald Helman, vice-chairman of the US delegation, there was a "singular lack of enthusiasm" for the idea. National regulators such as the UK Department of Trade and Industry are happy to retain day-to-day control. Mr Colin Cross of the DTI says: "We don't feel there is a need for a European regulatory body, let alone a worldwide regulator."

Leos could get off the ground fairly soon. Optimistic estimates see the first satellites going into orbit in 1996 or 1997. Market estimates vary. Mr Roger Rusch of TRW says Odyssey could handle up to 16m subscribers, but the company is doing price calculations on the basis of 0.9m.

Motorola says there could be 1.1m voice and data subscribers on Iridium by the year 2001 and 0.7m subscribers for data only. There might be 3.2m subscribers overall by the year 2006. Ellipsat is significantly more ambitious, basing its optimism on the alleged cost effectiveness of its system. "We confidently expect between 25m and 50m subscribers in the first year alone," says Mr Scott Mackearney of Ellipsat.

Handsets will not be cheap. Motorola says it could charge $3,000. At the other end of the spectrum, Ellipsat users will pay $300 for a so-called Ellipcell which they will install in the boot of their car to boost their car telephone to use the Ellipsat satellites.

Airtime prices will also vary. Globalstar users will pay 30 cents a minute for use of space segment (the link between the hand-held terminal and the satellite and back down again), says Mr Tedino. Mr Rusch of TRW says Odyssey users will pay 65 cents a minute. Ellipsat estimates its service will cost 50 cents a minute, while Motorola expects Iridium to cost $3.

No doubt the manoeuvring is not yet over. In August Globalstar backers were reported to have made a bold approach to Inmarsat to drop Inmarsat-P in favour of marketing the Globalstar service. This was not the first time Inmarsat had received such an approach. In February, Motorola made much of an idea to lease Inmarsat capacity on Iridium. Inmarsat never formally admitted that it had received an approach.

What is certain is that the US-based operators and the FCC are to get together between November and March next year to make the rules which will govern the operators of Leos. When the rules are clear, no doubt play will start in earnest.

RADIO FREQUENCIES

Selling off the airwaves

SHOULD THE radio waves be a revenue earner for government or a resource available to all at a reasonable price? Some governments are considering fees of more than £100m for mobile phone licences and, as a result, the question has become a hot debating topic in the industry. But issues of ethics as well as commercial sensitivities come into play and it seems that there is no straightforward answer.

Radio is used for many different communications activities. Some are obvious, such as mobile phones and the radios used by taxi companies or the police. But items such as security tags in clothing stores, remote controls for cars or garage doors also operate via radio; they come under the same set of government regulations.

In the UK, the government determines who can use radio frequencies by granting licences. A taxi company can get a licence for five radios, just like a large mobile phone operator with many thousands of subscribers. Manufacturers of security products and remote controls do not need a licence, but they do have to obtain permission before they can go ahead and sell their products.

The fees charged for licences vary according to the type of use: a taxi company pays less than a mobile phone network operator. Vodafone and Cellnet each pay an estimated £2.5m for their licences.

But as governments in other countries begin to see how much money some services are making, they are questioning the level of the licence fee, especially for mobile phone networks. Obviously, £2.5m is a tiny proportion of Vodafone's annual turnover of £585m.

Two new mobile phone network licences recently granted in Greece were sold for $160m (about £80m).

The Greek government is understood to have operated a form of "auction" for the licences. Prospective mobile phone operators sent in their bids in a sealed envelope. The first licence went to the one offering the most money. The second highest bidder was then invited to increase its offer to the level of the highest bid, in order to get the second licence.

The Dutch government is now also considering what value it should place on the spectrum for a second mobile phone network, to compete against the phone company, PTT Telekom Netherlands. A figure of $250m is being suggested.

However, while charging a large sum for the right to use the radio spectrum could bring in substantial revenues for treasury departments, it could be to the detriment of the general public and taxpayers.

Mr Keith Sowell, of the phone company US West, points out that such high licence fees are a disguised form of taxation: "It's a tax. Sooner or later, the reasonable businessman factors it in," he says.

The UK's Radio Communications Agency, the government body responsible for managing the radio spectrum, is currently reviewing spectrum prices. It has a total income of £27m from 28,000 licences. However, the Wireless Telegraphy Act stipulates that these fees should cover costs of administering the licence, and not make a profit.

The pressure for auctioning comes from the so-called shortage of radio frequencies

Auctioning will have to be considered as part of the review, but it appears unlikely that the concept will be taken on board.

The pressure for auctioning comes from the so-called shortage of radio frequencies. Radio waves are all around us and in a sense there is no shortage. But, there are only certain frequencies that are good for the commercial applications. These are between 28 Mhz and 3Ghz.

In the large metropolitan areas – London, Birmingham, Manchester – frequencies in this range are already almost all taken and there is a need to make sure that they are used as efficiently as possible. There is a view in the industry that making people pay more for licences will lead them to use the resource better.

But spectrum auctions have already been looked at in detail three years ago, by what was then the Department of Trade and Industry's radio section. The idea was dismissed as unworkable.

The critical issue is "safety of life". Mobile communications of all types can be used in situations where the safety of an individual or group of people is at risk. Ambulance and police radios, as well as radios on board yachts that sail around the coast, are obvious examples. But there could also be a case where a lorry has spilled hazardous chemicals on a road – a mobile phone in the cab could be vital to protect other drivers and pedestrians from harm.

It is generally thought that commercial prices should not be applied to licence fees for safety of life uses. But it would be difficult to determine a clear-cut way of deciding who pays the commercial fee and who is exempt: "Even if you take the emergency services out, where do you draw the line?" asks Mr Garry Garrard, mobile communications director with the PA Consulting Group.

In the US, a similar debate is taking place. In a bill which goes before Congress this autumn, there is a new allocation for spectrum to be used by emerging technologies. These include personal communications services and new personal digital wireless gadgets such as Apple Computer's Newton.

There is a push from the White House that this new spectrum should also be used to bring in revenue which could reduce the budget deficit. An auction is high on the agenda.

Under the normal procedures, the allocation of radio licences and the licence fee are handled by the Federal Communications Commission (FCC). Licences are granted by a lottery of the prospective applicants. However, some companies which obtain licences later sell them on for an enormous profit – one mobile phone licence in Massachusetts went for $40m two years after it was granted, and no network had been constructed. Such moves could be behind the White House push for auctions.

An experimental auction of 30Mhz of spectrum is proposed in the Bill and may get through. But the fear is that speculators could push up prices to unreasonable levels.

GTE, which operates mobile phone networks across the US, is lobbying against auctioning. It says that auction prices could force some potential players from the market. "We want to see open entry and public eligibility," says the company.

Monica Horten

Tremendous potential seen for fledgling mobile data market

A multitude of options

Niche marketing is seen as the way forward

THE VIABILITY of a market for mobile data services in the UK was brought into question after the collapse this summer of one of its pioneers, Cognito. But while there might not be one market, there may well be 50 or 60.

Cognito's withdrawal from the market after the acquisition of its biggest investor, Dowty, by the TI group, was not unexpected. Mr Karim Khoja, general manager of Ram Mobile Data Services, a competitor of Cognito's, believes rationalisation in the mobile data industry was bound to happen. To begin with, according to Mr Khoja, "the government awarded licences for five operators when there is probably only a market in the UK for two".

Cognito's downfall may have also been a result of its different approach, says Mr Khoja: "Cognito tried to reinvent the wheel by developing its own technology," he says. His own company, like the other surviving operators in the sector, uses off-the-shelf mobile data systems. And, according to Mr Khoja, Cognito concentrated to heavily on one particular service: two-way paging.

It hoped this would help it see a quick return on its investment, but in fact it made the company look like a one-service supplier. "It was then unable to break out of this mould," says Mr Khoja.

That the mobile data market is potentially large is something on which all involved agree. For many applications, mobile data is much cheaper to use than say cellular or mobile radio. "Data can be prepared in advance and then sent with no need to enter into long conversations," says Mr David Pearce, marketing manager for data products and service at Vodata, part of the Vodafone telecommunications service group.

All agree that mobile data may make a big difference to a company's bottom line. "For companies with service or delivery vehicles, often the only competitive advantage is in the actual speed of delivery or service delivered," says Mr Pearce.

But where mobile data runs into problems is with the complexity of its own message. "It's not an easy buying decision for customers," says Mr Pearce. "Remote communications using modems are difficult to use; they require specialist skills in installation and use. This puts many people and companies off using mobile data," he adds.

"It is a mistake to conceive or portray mobile data as a single product," says Mr Jonathan Elder, mobile data product manager at Cellnet, the UK cellular service provider. "Our market research shows that what customers want to do requires a lot of their own development time," he says. At the same time, his market research shows "that customers are left cold by current applications", he adds.

"It is a mistake to conceive or portray mobile data as a single product"

Even if customers do identify an application for themselves, finding the right operator or working out the cheapest method for their applications may prove to be difficult.

Mobile data services are offered by the cellular operators, dedicated mobile data network operators such as Hutchison Mobile Data and Ram Mobile Data, and data over private mobile radio networks.

All of these services are offered over different largely incompatible technologies. There is no worldwide standard for mobile data services.

Suppliers also find the market a difficult one. Selling cycles are usually four to eight months at the shortest but can often take up to 18 months with up to a three-year return on investment likely. says: "The different niche markets and fragmented supplier base make this a very difficult market to address." But, he says, it may be this very diversity which gives the market its greatest strength, as it pushes both suppliers and users towards customised solutions.

One way forward for the operators may be to link up with third parties.

"We just offer a simple connectivity service. We are network operators not systems integrators," says Mr Terry Bowden, managing director of Hutchison Mobile Data.

But, he admits, it may be systems integrators that hold the key to addressing the various niches in the mobile data market. Different applications packages may be designed by the systems integrator with an operator to address a particular niche and marketed mainly by the systems integrator.

Cellnet is currently trying out a package designed with a systems integrator for motor insurance adjusters to help them work out the fair price for motor insurance claims. It will allow adjusters to access a remote database from the site where the car with the damage is to see what similar claims have recently cost.

Another possible application may be for a pensions adviser to offer an instant on-the-spot quote to a customer by being able to consult the office database remotely.

Another option may be for a customer who has developed a package for its own needs, to go on to market it to others in its own industry.

British Airways, for example, is helping Ram mobile data to sell its specially developed luggage handling mobile data application to other airlines.

Like many other mobile communications markets, mobile data is still essentially an immature market. According to Mr Garry Garrard, mobile communications specialist at London based PA Consulting, the mobile data market may develop in three phases:

- Specific packages for large customers.
- Off-the-shelf application specific packages.
- More horizontal off-the-shelf packages.

Given time, some believe, the use of mobile data could become as ubiquitous as the facsimile.

Combining new digital cellular technologies, such as GSM in Europe, with new forms of sending data – such as light pens which allow the user to enter commands by simply pointing at on-screen symbols could – at sometime in the future, even make the mobile data market into a mass market, says Vodafone's Mr Pearce. "Imagine a system that can be used over all of Europe where the user interface isn't cable, buttons or keys but just a pen."

Some big names are taking this proposition seriously. Since the launch of Apple's pocket computer, the Newton, this spring, Mr John Sculley of Apple has made it clear that he sees communications as the way forward for the personal computer industry.

US telecoms giant AT&T seems to be laying equal value by the contribution pocket computers could make to the telecommunications industry. It is expected soon to announce its own response to the Newton – the Hobbit, a personal communications terminal not only capable of supporting data communications but also of voice and image.

Maria Madison

CELLULAR SERVICE PROVIDERS

The party winds down

Cellnet: cutting overheads with its back office transaction processing facility

THE party is over for the UK's 40 cellular service providers – at least for the time being. Already slimmed down from a figure of 70 in the late 1980s, further rationalisation of the sector will almost certainly follow. For the survivors, however, there may be the reward of a mass market.

For the cellular service provision sector in the mid-1980s, the good times seemed to roll. Many small radio telephone dealers, such as Frome's Carphone Group, saw their businesses transformed from local installers of a few high-priced phones a week to national names with tens of thousands of subscribers, each contributing to the company's revenues every time they made a call from their new mobile phones.

But all was not as it seemed. "As far as I know, none of the service providers to date have actually made an operating profit," says Mr Garry Garrard, mobile communications expert at London-based PA Consulting. "Up until now the only people who have made money out of service provision have been those who have sold their businesses," he adds.

In the case of the Carphone Group, this was in 1988 when its shareholders, led by company chairman Mr Graham Thomas, sold out to fixed network operator Mercury Communications. Some 40 other companies did the same thing.

"The business is now dominated by the big boys," says Mr Andrew Lockwood, general manager responsible for cellular radio at BT. According to his estimate, the top five companies serve over 60 per cent of the UK's 1.3m cellular subscribers, leaving the other 35 to share just 40 per cent of the market between them. Sooner or later, he believes, all of the smaller players will either decide to "cash in their assets or look for particular niches", leaving the development of the market to the top five.

The current top five are, in falling order of subscriber base, Hutchison Service Provision with 170,000 subscribers, BT with about 160,000, Talkland with 150,000, Vodac with 130,000 and Mercury with 120,000. But even the top five may not be all that safe, however.

The entrance of powerful new players has been predicted for some time. Many believe the introduction of the subscriber identification module card with GSM – and the consequent separation of the sale of the cellular handset from the sale of the cellular service – will draw credit card companies such as American Express or Visa into the market.

Smaller players will either decide to cash in their assets or look for particular niches

Others see a growing mass market as likely to attract high street names, such as Dixons and Comet.

At the same time, the network operators are showing increased interest in by-passing the service providers and selling directly to their larger customers.

"The cellular service providers are facing the squeeze from two sides – the corporate and the consumer market," says PA Consulting's Mr Garrard. He sees network operator Cellnet's recent announcement to use Club 24, the in-store credit card company, to help set up a back-office transaction bureau as an attempt to bring newcomers, such as high street chains, into the field.

"It allows anyone to become a service provider," he says. And large customers, he says, expect to be served directly by network operators. All that remains for the current service providers is the gap in the middle, he says, "and that is getting smaller and smaller".

BT's Mr Lockwood believes there is "more than enough room" in the market for direct sales and service provision. Mr Barry Moxley, managing director of the market-leader, Hutchison Service Provision, believes his company's emphasis on quality of service will carry it through.

The only hint of problems ahead comes from the sector's spokesman Mr David Savage, chairman of cellular service provider Astec. Mr Savage, who is chairman of the Federation of Communications Service Providers, is concerned that network operators – who make 80 per cent of their revenues from each call on their network – will use this money to buy customers.

"I don't have any problem with the network operators selling directly to users providing there are no cross-subsidies. But I don't think that is the way it will work out," he says.

Cellnet's managing director, Mr Stafford Taylor, makes no secret of the fact that he believes it is time for a change in the cellular service provision sector.

"I'm very much in favour of service providers," he says. "They are an established route to market, but they are not the only one. If they want to survive they've got to decide to do things differently to the past. They need to find ways of finding a much broader appeal to consumers."

Mr Taylor believes Lifetime, the low user tariff launched by Cellnet in June, and LowCall, Vodafone's response to the Cellnet announcement give service providers paths towards the consumer market. Using Cellnet's back office transaction processing facility could take them yet further, he says, by cutting overheads on increasingly tight margins.

But whether service providers take up the challenge is up to them, he says.

Mr Taylor argues that direct sale of cellular airtime is inevitable. He bases his view in part on his experiences as the man who managed the launch of the IBM personal computer in the UK. "We've now entered an era of direct sales from companies such as Dell," he says. "I believe there will almost certainly be some form of direct distribution in the cellular business at some time in the future."

Mr Savage agrees change is inevitable. But he does not believe this is necessarily for the worse. "We were going to change anyway – whether or not Cellnet has its own direct team, whether or not Dixons are capable of selling these things. If you don't change you don't progress."

But, he says, the consumer market is big enough to handle a variety of retail paths. "Only a proportion of it will ultimately be handled by the likes of Dixons and Comet. There are still umpteen other different ways of doing business."

Peter Purton

ASIA

Dragons are still hungry

ASIA'S appetite for mobile communications verges on the insatiable.

According to a recent study by the London-based telecommunications consultancy, CIT Research, the 1991 market for mobile services and equipment in just eight countries in the Asia Pacific region was worth around $9bn. By 2001, the company forecasts that the value of the same business in Australia, Hong Kong, Japan, Malaysia, New Zealand, Singapore, South Korea and Thailand will grow to around $28bn, with some countries in this group clocking up annual mobile market growth rates in three figures.

The reasons for such phenomenal expansion differ from location to location.

Some countries in the region have buoyant economies and are growing at between 5 and 10 per cent annually. Others possess tremendous growth potential. In both cases, demand for telecommunications service and equipment of all kinds is building rapidly and, as is generally acknowledged, mobile technology is at the cutting edge of the global telecommunications industry.

Competition is an important factor in some markets, particularly in Hong Kong, where there are four different nominated cellular operators, and Japan, where around 40 paging operators compete for customers with the incumbent carrier Nippon Telegraph and Telephone.

However, competition is not a unique spur to expansion. As CIT points out, the South Korean paging market, which probably is the fastest growing in the world, is operated as a monopoly.

A third explanation for Asia's enthusiasm for mobile communications is that, for the most part, local operators do not have huge investments in wireline networks which need to be amortised over a period of years. They can, instead, exploit new mobile radio technology to increase subscriber access to modern telecommunications facilities.

A cellular service jointly launched by the Ho Chi Minh Post and Telecommunications Administration and Singapore Telecom International in Vietnam is a case in point. "The pace of economic activity in Vietnam has stepped up to the extent that the telephone infrastructure is inadequate to meet the demand from business," says Mr Philip Low, Singapore Telecom's marketing manager for the project. "We decided to fill the vacuum by providing mobile telephone services for businessmen who are constantly on the move here."

Analogue cellular telephone systems are spearheading the region's mobile voice revolution. Pyramid Research of the US calculates that developing countries in Asia will increase their cellular subscriber populations from a mere 615,000 in 1990 to 3.3m in 1993. But this is small beer compared to the industrialised nations in the region. Japan's current 1.25m cellular users are forecast to increase to anywhere between 9m and 14m by the early years of the next decade.

The surprise hit of the cordless sector so far in the region is CT-2 telepoint

Although systems of US origin have tended to dominate Asia's analogue cellular markets, the switch to digital has created an important opening for Europe's GSM. This opportunity has come about in part because GSM is commercially the most mature digital cellular system in the world today. Meanwhile, the existence of a number of different and incompatible digital and analogue follow-on systems in the US has not been particularly helpful to the export prospects of that country's mobile industry.

So far, GSM has been selected for implementation in Australia, Hong Kong, New Zealand and Singapore. Trial systems have been supplied to China, the Philippines and Taiwan, and India recently announced its aim of granting GSM concessions for the cities of Bombay, Calcutta, Delhi and Madras. Interest in the European system has also been voiced by Indonesia, Malaysia and Thailand.

But GSM will not have the field to itself. A number of local operators have decided to wait for a North American digital cellular solution, and Japan is now starting to promote its own digital system in the region.

The Japanese Digital Cellular (JDC) system is less well developed than GSM, and will not enter commercial service much before 1994. However, big non-Japanese manufacturers, such as Motorola and Sweden's Ericsson, have included JDC in their portfolios and Japanese vendors have an unrivalled reputation for commercialising technology in the type of mass consumer markets that digital cellular is intended to address.

If cellular telephony is making headlines, paging is already the most pervasive, not to say audible, mobile communications service in the Asia Pacific region. CIT Research says that there are over 8.2m wide area pagers in the eight countries it surveyed and forecasts that this number will rise to 13m by 2001.

In some countries pagers have already achieved the ubiquity of mass market consumer durables. In others, pagers are regarded as fashion accessories: the main target for paging vendors in Hong Kong is the 16- to 20-year age group.

Hong Kong and Singapore have Asia's highest pager penetration rates with, respectively, 152 and 130 receivers for every 1,000 population. The most dynamic market, however, is South Korea where the paging population doubled to 851,000 in 1991.

Less glamorous than cellular telephony and less visible than paging, private mobile radio continues to make gains in the Asia Pacific market. The largest market of the eight analysed by CIT Research was Japan, with an installed base of 27m units at the beginning of this year. Trunked networks are becoming important and should dominate terminal sales worth nearly $930m, at current prices, in 2001.

While technologies such as Japan's Personal Handy Phone and the Digital European Cordless Telecommunications system (DECT) are being energetically promoted in the Asia Pacific region, the surprise hit of the cordless sector so far is CT-2 telepoint. In stark contrast to its disappointing start in the UK, and the rather cautious welcome it has received in most other European countries, Asia has taken to the CT-2 wireless payphone service in a big way.

Hong Kong has two services and two more have been licensed. Hutchison's Tien Dey Seen service was switched on at the end of March and had signed up around 20,000 subscribers by mid-May. A second service, Chevalier's Bo Bo Tung, went live at the end of May and picked up 4,000 users in a matter of weeks. Mr Neil Montefiori, Chevalier's managing director, promises cordless office switchboards, interactive voice mail linked to paging and two-way calling on his system later this year.

Singapore's Callzone CT-2 telepoint service was launched earlier this year to scenes reminiscent of the opening the first MacDonald's hamburger outlet in Moscow. According to Mr Sung Sio Ma, head of Singapore Telecom International's arm, the company's stock of 10,000 CT-2 terminals was sold out in one week and the carrier had to back-peddle on promoting the service further. At the end of May, Callzone customers numbered over 18,000, and Mr Sung was forecasting that CT-2 subscriptions would soon outnumber the island state's 80,000 cellular telephone users.

All of this is a far cry from CT-2's muted performance in its region of origin and is something of an embarrassment for the assorted pundits who had already written the obituary of the service. But as Mr John Carrington, director for mobile and new services at Cable and Wireless has remarked, even the great and good are not right all the time: "I think that the key to telepoint is that, not for the first time, many experts got it wrong. There is a large demand for low cost communications which do not have the full functionality of cellular. Telepoint meets that need and seems set for a bright future."

John Williamson

RADIOPAGING

Time for some new ideas

THE radiopager is arguably the oldest form of personal communications. But the unexpected success of the mobile telephone has been something of an embarrassment to the sector, relegating it to the status of a poorer cousin. Now it is looking to boost its image and its income with some new ideas and a new approach.

Radiopaging first saw the light of day at St Thomas's Hospital, London, in 1956, as a way of contacting doctors and other personnel when they were needed.

Even today, radiopaging remains the simplest form of personal communications. Three different types of radiopager are available. The simplest and cheapest is the tone only radiopager. It costs around £10 a month to rent and use. It beeps to alert its owner that someone wants to get in touch with him or her.

The numeric radiopager, which costs around £20 a month, uses a tiny screen to display numbers. These could be either the phone number of the person who wants to get in contact, or coded messages. Thus, a service engineer might deduce from the number 200-3, that Mr Bloggs from Woolworth needs some more fax paper.

The top option is the alphanumeric radiopager. This can cost up to £30 a month. A small screen displays text and numbers. Typical alphanumeric radiopagers can hold up to 400 characters. Some even hold up to 2,000.

The UK's six radiopaging network operators – Aircall Communications, BT Mobile Communications, Intercity Paging, Hutchison Paging, Mercury Paging and Racal Vodapage – serve some 700,000 radiopaging users.

But this figure is only some 200,000 up from the number of radiopagers in use in the mid-1980s when the cellular telephone was launched. By contrast, the UK's two cellular radio network operators now support over 1.3m users.

As though to rub salt into the wound, radiopaging's own version of the GSM (Global System for Mobile Communications) digital pan-European cellular radio system now being introduced across Europe, Euromessage, was initially supported by all six operators, but only one, Hutchison Paging, is now continuing with the service. It allows radiopaging users to take their pagers with them on their travels across Europe.

The relative success of cellular and failure of radiopaging has prompted an industry rethink. Some basic principles – particularly in the area of marketing – are being questioned, including:

- radiopaging users rent but do not buy;
- radiopaging is a stand-alone service;
- only people in suits are interested in radiopaging;
- radiopagers must be black.

Mr Trevor Harvey, chairman of the UK Paging Operators Association which represents the interests of the six network operators, points out that most radiopaging network operators rent their equipment. "But things are changing," he notes.

Hutchison Paging was the first radiopaging network operator in the UK to offer a sale-only option. It brought the idea from Hong Kong, where it commands over half of the 800,000-strong market. "We now have a market share in excess of 50 per cent in Hong Kong and we've never rented a pager," notes Mr Mike Bowerman, managing director of Hutchison Paging UK.

Fax paging is the latest innovation from Inner-City Paging. It enables any pager user to receive a fax from the nearest available machine at his/her own convenience. (Photograph: Trevor Humphries)

In the UK both Hutchison and Mercury Paging offer a sale option. Moreover, Mr Owen Lamont, general manager responsible for radiopaging at BT Mobile Communications, says that it will start selling radiopagers by October.

According to Mr Mike Walton, marketing manager at Mercury Paging, many users "would find it more effective to buy their pagers and thus reduce their monthly costs". Though the majority of radiopagers in use today are rented, some observers believe it might not be that long before the ratio is reversed.

The industry hopes the whole will add up to more than the sum of the parts when radiopaging combines with voice messaging

Another dogma which is being called into question is that radiopaging should be seen as a stand-alone service. In contrast, "the real strength of the pager is probably as a complement to other communications technologies," notes Mr Harvey.

One strong potential area of growth where the industry hopes that the whole will add up to more than just the sum of the parts is the combination of radiopaging with voice messaging. This allows callers to leave spoken messages on centralised computer systems, triggering a radiopager so that the intended recipient of the message can retrieve quite complex information. All six radiopaging operators offer combined radiopaging/voice messaging packages.

Another synergetic area may be to combine radiopaging with telepoint, the service which allows users of cordless telephones to use them not only at home or in the office but while out and about. In many ways it provides a perfect complement to radiopaging – while radiopagers can only receive messages, today's telepoint handsets can only make calls, so together they provide inbound and outbound communications.

The telepoint option, at least for the time being, is open only to Hutchison, as it alone of the radiopaging network operators operates a telepoint network.

Also gone is the belief that radiopaging is exclusively the preserve of the consumer. In the US, even schoolchildren are becoming users. BT's Mr Lamont believes that with the right marketing and advertising strategies, the UK radiopaging market could develop similarly, although he admits: "It will be a challenge." The move from renting equipment to selling it is likely to be significant in the development of a consumer market for radiopaging.

Radiopagers are getting smaller and new colours – other than black – are starting to appear. Pen-sized models are also already available, as are radiopagers integrated into wrist-watches, and even organisers with radiopagers in them. "The possibilities are endless," Mr Lamont notes.

As well as the rethink in marketing, radiopaging is also beginning to benefit from some new network technologies, something particularly welcome to the relatively new entrants to the field, who are keen to roll out their networks as soon as possible. Mercury and Hutchison, for instance, both now use satellite links to relay radiopaging messages from control centres to the radiopaging transmitters. This cuts operating costs significantly.

Despite the initial disappointment of Euromessage, a flicker of hope still remains among many in the industry that crossborder paging can yet be made to work. Hutchison Paging has spent the last two years carefully negotiating the rights to all of the UK's allocation of spectrum for Euromessage. Many believe with control now in the hands of a single network operator, success may still be in store for Euromessage.

Enthusiasm for global messaging, however, not so long ago the goal of a number of actual and potential radiopaging operators, seems to have been dampened. The general opinion seems to be that global messaging is still a long way off.

Sian Bohana

PUBLIC CORDLESS TELEPHONES

Rabbit starts to run

TELEPOINT – the UK-developed public cordless telephone service which had a disastrous start in the late 1980s – is looking forward to a revival of its fortunes in the 1990s. Ironically, the revival is being led from abroad, writes Peter Purton.

Telepoint in the UK started in 1988 when the government announced its intention to license at least two operators. In the end four were licensed: Manchester-based electronics company Ferranti (Creditphone), Phonepoint, a consortium consisting of BT, STC (now part of Northern Telecom), US regional telephone company Nynex and France Telecom, another consortium called Callpoint made up of BT rival Mercury, telepoint equipment maker Shaye and US electronics company Motorola and a third consortium, BYPS, made up of Dutch electronics giant Philips, UK clearing bank Barclays and the Anglo-Dutch oil company, Shell.

By the end of 1991 the three licensees which had launched a service had withdrawn from the market and the fourth, BYPS, had been sold to a new owner, Hong Kong-based Hutchison Telecom. Few disagreed at that point – telepoint was an unmitigated disaster.

Telepoint took longer to take off abroad. In fact, it is only now moving out of its trial stage to become a commercial service. But the early indications are that it will be successful.

In Hong Kong two operators, Hutchison and local radiopaging network operator Chevalier, have been offering a telepoint service since March and April. A third, Pacific Telelink, backed by UK telecommunications network operator Vodafone, is due to come into service at the end of the year. Already there are some 30,000 users with some 7,000 newcomers signing up every month – a faster growth rate than any of the world's cellular radio services enjoyed during their start-up phase.

In Singapore, the service was launched on January 27. The main Singapore newspaper, the Straits Times, reported the sale of 1,500 phones on the first day and queues of 300 people forming at the stores selling the handsets. Now there are over 12,000 users of the Callzone telepoint service offered by Singapore Telecom. Malaysia's and Thailand's national carriers are also offering telepoint services.

Also in the Asia-Pacific region, Australia Telecom is planning a telepoint network in Brisbane. And in Canada, an upgraded version of the telepoint cordless telephone specification has been adopted as the country's official cordless phone standard.

Even in Europe, the sun is beginning to break through for telepoint. In Germany, where telepoint got off to a bad start with a six-month delay to the trial in Munich, it now looks as if the national operator, Deutsche Telekom, will proceed with a full commercial version of its Birdie service. And Hutchison has also announced that it is keen to launch its own rival service.

In France, demand for handsets in a trial of telepoint in Strasbourg, has been so great that the project has had to be extended from 2,000 to 3,000 users. This month the trial is being extended further to cover Paris, where some 3,000 base stations will provide coverage not only above ground but also underground for travellers on the Metro.

Within a month of PTT Telecom of the Netherlands' launch of its telepoint service, Greenpoint, on May 20, it reported over 1,000 users. Like Germany's Telekom, PTT Telecom is likely soon to face competition from a private rival, provisionally named Bluepoint. In Finland, a commercial telepoint service is due to come into service in the coming weeks following trials lasting over two years. And Belgium's Regie des Télégraphes et des Téléphones is gearing up for the commercial launch of its own telepoint service.

So what went wrong in the UK? The first and biggest mistake, most observers now agree, is that too many operators were licensed for the market. But this was only the beginning of a series of disasters.

Even in Europe, the sun is beginning to break through for telepoint ... So what went wrong in the UK?

"The early operators failed because they could not perceive a route to market – you can have the best product in the world but if you don't bring it to the market in the right way, it won't sell," says Mr Brian Wolfe, group director responsible for mobile communications products at GPT, one of the leading suppliers of telepoint infrastructure and handsets.

Telepoint in the UK, he explains, was originally marketed as a competitor to cellular. "In reality, it addresses a completely different segment of the market," says Mr Wolfe. The emphasis, he says, should have been on the home cordless telephone. "Add to that the feature that you can use it on the street – at a cost which is hardly different to that of making a call from home – and I am sure you have the ingredients for commercial success." Mr Mel Zizeros, principal analyst at Marlborough-based marketing consultancy MZA, agrees, but he adds that the original networks were launched prematurely.

"The three networks launched without any sort of infrastructure in place," says Mr Zizeros. "On top of that, the handsets were too expensive. And with several proprietary products being offered, the market was confused about the technology." In spite of their criticisms of the UK's first generation of telepoint networks, most analysts believe that Hutchison will make a success of the new cordless technology.

Hutchison has adopted a "refreshing new approach", says Mr Tony Warwick, director of European CT-2 systems at US-owned communications equipment maker Motorola, which alongside GPT has been responsible for the telepoint infrastructure installed around the world.

Hutchison launched its telepoint service, Rabbit, at the end of May in Manchester, with 800 base stations already in place. By the end of the year, it hopes to have 12,000 base stations in place to offer full coverage of the UK's main towns and transit routes.

"Coverage will be contiguous," says Mr Peter Wright, managing director of Hutchison Personal Communications, as BYPS was renamed after its takeover by the Hong Kong company. The emphasis of his company, he says, will be never to promise what it cannot deliver.

Hutchison has already expanded its network to cover the Granada, Yorkshire and the Tyne-Tees television areas where it now has 2,000 users. By the end of 1994 it hopes for 300,000 users across the UK.

Some half a million low cost analogue cordless telephones are sold each year in the UK. "If we could convert only 10 per cent of the analogue cordless phone buyers to CT-2 it would be a nice business, and I don't think that is so ambitious a target," Mr Wright says. Add to that the new categories of business users who he believes will use cordless phones for the first time, thanks to the improved utility and better quality of telepoint technology, and the figure could well reach 300,000.

When Phonepoint, the BT telepoint consortium suspended its operations, it emphasised that it was not abandoning them completely. Mr Wright acknowledges that if Hutchison succeeds in proving that telepoint can be a commercial success, it may still find itself facing competition. But, he stresses, it will not be easy for any newcomer or re-entrant.

First, it would have to renegotiate licences, then it would have to think about resourcing and building its network. "It would be the end of 1994 before anyone could reappear in the market place – and by then we'll have sealed off most of the juicy locations," Mr Wright says.

In Hong Kong, if the current rate of uptake is maintained, telepoint will overtake cellular radio in popularity next year and may even overtake radiopaging – which with 800,000 users has the highest penetration in the world – by the second half of the decade.

Even the most optimistic analysts of the UK telepoint market do not believe it will do as well as Hong Kong, where the high population density and telephone culture combine to make a special case. But even if it only does half as well, all concerned will be very pleased.

EASTERN EUROPE

No bonanza — yet

IN SPITE of the huge demand for telecommunications capacity central and eastern Europe, experts do not anticipate that this will translate immediately into a mobile communications bonanza for western hardware vendors and service operators.

Motorola's reading of the situation is not untypical. "Personally I don't see that there are going to be large networks in the short term. The economies are not strong enough to carry them," says Mr David Hughes, vice-president and general manager of the company's European cellular infrastructure division.

Foreign-led mobile expansion will be constrained not only by weak economies, by also by a shortage of available radio frequencies in the region, the difficulty of repatriating profits and local unfamiliarity with western business culture.

There are also hazards attached to mapping out unknown commercial terrain. "There often isn't a body of information about the marketplace. You can't turn to multiclient studies because there aren't any," says Mr John Carrington, Cable and Wireless director for mobile and new business.

Nevertheless, the regional mobile market is perceived as having potential in the longer term and many equipment and service providers stress the importance of establishing a position on the ground floor.

Motorola has already opened offices in Moscow, Budapest, Prague, Warsaw, Sofia and Bucharest. In addition to staffing these with local nationals, for two years the company has been hiring personnel throughout the region for secondment to its western European operations prior to posting them back east.

"It's more business practices we're schooling them in than engineering," says Mr Don Burns, vice-president and general manager of Motorola's cellular subscriber division. "We feel we'll be much more efficiently equipped then."

So far, the Scandinavian NMT 450 analogue system has made the greatest impact on eastern Europe's embryonic mobile markets. Systems of this type have been switched on or are being constructed in Croatia, Czechoslovakia, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, Russia and the Ukraine.

NMT 450 is an older, entry-level, analogue cellular system due to be progressively phased out in some western European countries.

In the east, NMT 450 network operators report that the average monthly airtime clocked up by each subscriber is around five times that in the west. This is a clear indication, says Mr Burns, that cell phones are being used in place of the inadequate wireline network rather than for their specifically mobile attributes.

Since comprehensive expansion of wireline networks is a lengthy process, the NMT 450 system is projected to have a longer shelf life inside eastern Europe than in some locations outside. Moreover, the Hungarian NMT 450 operator Westel reckons that subsequent demand for mobility will take up any slack as new wireline facilities are installed.

Measures are being taken to enhance the technical performance of the old cellular system. Earlier this year at an industry meeting in Helsinki, it was proposed to improve NMT 450 speech quality, lengthen the battery life of its terminals, and introduce a greater range of hand-portable telephones.

Attention also focused on the need for new security measures, since individual sub-

> GSM could drive the region's mobile business into the big time

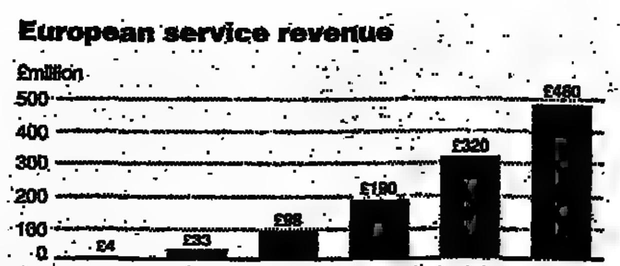
scriber information from one NMT 450 terminal can be "cloned" on to another relatively easily, allowing fraudulent calls to be made at a genuine subscriber's expense.

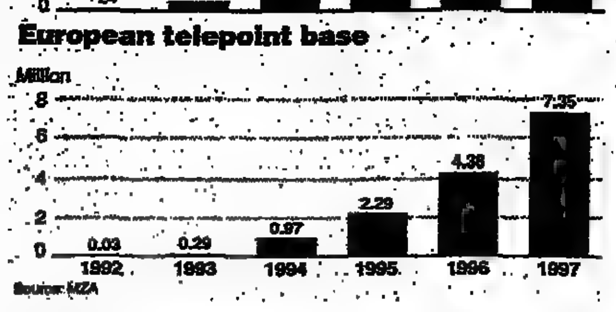
Although analogue systems are still a novelty in most eastern European countries, operators already contemplate the introduction of follow-on digital networks, the next rung on the cellular ladder.

Leading the field is Hungary, which is set to invite a tender for western Europe's digital GSM after national authorities have completed their overall telecommunications reforms.

Speaking in February at an IBC conference on digital cellular technology, Ms Christina Callmer, market development manager at Ericsson Radio Systems, predicted that "there is a good chance that Hungary will be the first central European country to operate a GSM system."

Russia has also expressed an interest in licensing up to five GSM systems in major metropolitan areas, and Czechoslovakia and Poland are also potential candidates to switch





on the system.

GSM could be the technology which drives the region's mobile business into the big time. According to Motorola's Mr Burns, if obstacles to the export of digital cellular can be surmounted, eastern European sales of all types of cellular telephones could quickly rise to as much as 200,000 units. Industry sources value a market of this size at around $200m.

The biggest stumbling blocks to the development of a large eastern European GSM market are Cocom export limitations on digital radio systems in general and restrictions on GSM's powerful message encryption capability in particular. The UK government is understood to be concerned about where this technology — dubbed A5 — ends up.

One solution being investigated by a GSM committee is to produce a version of the system which has no encryption capability in its infrastructure hardware. At the same time, thought is being given to the use of a watered-down encryption technology. "We are looking into a 'milder' algorithm fit for export," says Mr Arne Foxman, a senior executive with Telecom Denmark and the previous chairman of the GSM committee.

As this initiative continues, radio paging and private mobile radio sales are picking up in eastern Europe and a number of operators are investigating the viability of cordless and personal communication services.

Tremendous local interest has been shown in new wireless solutions to the chronic shortage of conventional loop wireline connections.

Some part of this stems from the fact that, while they are able to plug gaps, normal mobile cellular systems are not ideal substitutes for the fixed network. "You can use cellular types of service but you soon run out of capacity," says Mr Rodney Stewart, director of the UK's Quotient Communications consultancy. "But other radio techniques can provide the capacity."

One such technique features in the Drahtlose Anschlussleitung (DAL) project under way in the provinces which made up the former East Germany.

DAL uses "immobilised" NMT 450 analogue cellular systems to provide fixed radio access into the telephone network. Instead of the laborious business of digging up streets or planting telephone poles to wire-in connections, Deutsche Bundespost Telekom gives subscriber access to the network through permanently installed radio boxes mounted on the walls of homes or business premises. DAL allows subscribers to plug in and use normal telephones or facsimile machines via a standard wall socket.

A decision on whether installation of the DAL system will be extended to additional areas in Germany is expected later this month.

Motorola believes that the NMT 450 technology in DAL does not make the best use of scarce radio spectrum. The company is about to mount a trial of its own analogue wireless local loop system in St Petersburg.

Dubbed Will, for Wireless Local Loop, the new system can use any of the analogue cellular systems currently produced by Motorola, and can readily accommodate up to 50,000 subscribers using 5MHz of the radio spectrum.

The advantages claimed for Will are that, unlike wireline, its connection cost per subscriber is independent of the distance separating the telephone in question from the nearest local exchange, and it is much quicker to implement. "With a wireless system you can be on air earning revenue much sooner," says Mr Hughes. "You could easily load up a city the size of St Petersburg very quickly."

Quotient Communications' Mr Stewart was the lead author of European Commission-sponsored report on the use of digital, as opposed to analogue, wireless local loop technology in eastern Europe. He concluded that a system such as the forthcoming Digital European Cordless Telecommunications system (DECT) would often be viable with modest numbers of subscribers sharing a connection.

Motorola's Mr Hughes acknowledges that digital technology has an important role to play in eastern Europe, but believes that this solution lies in the future: "Those countries want communications now, they don't want it in three-to-five years' time."

John Williamson

GERMANY

Confusion reigns

COMPETITION is beating up in the multi-billion D-Mark market for mobile communications in Germany. Two operators launched services based on the GSM pan-European digital cellular radio standard on July 1. The aim is to have 6m to 7m GSM users by the turn of the century. But the delayed availability of handsets has created confusion in the market. This has been exacerbated by the announcement of new mobile services that could compete with GSM.

Cellular penetration in Germany, at less than 1 per cent of the population, is much lower than in the UK, where it is over 2 per cent, or Scandinavia, where it is over 5 per cent. This partly due to the inability of the present analogue systems to handle satisfactorily calls to and from hand-portable cellular telephones and also to the relatively high cost of mobile phones in Germany.

But another reason has been lack of competition. Until recently, mobile communications were under the monopoly of the country's national telecommunications carrier, Deutsche Telekom.

It was hoped the introduction of GSM would address these problems. Between them, the two GSM network operators, Deutsche Telekom and Mannesmann Mobilfunk, have invested DM2bn in their networks and this is expected to be topped up by another DM1.8bn by the end of next year.

But the delayed availability of suitable handsets has cost both operators dearly. This has been particularly damaging to mobile communications newcomer Mannesmann Mobilfunk, for whom the 12-month delay is estimated by analysts to have cost about DM1m a day.

Service providers have also suffered from the delay. Having invested millions of D-Marks to build infrastructures with 5,000 or more retail and service outlets, the service providers have been forced to bridge the gap by selling terminals for the current analogue mobile telephone system, Deutsche Telekom's C-Netz.

Then, two weeks before Deutsche Telekom and Mannesmann Mobilfunk were able to start the commercial operation of their networks with a supply of approved handsets, the minister for post and telecommunications, Mr Christian Schwarz-Schilling, announced the licensing procedure for a third mobile telephone network operator using personal communications network (PCN) technologies.

Deutsche Telekom and Mannesmann Mobilfunk were both excluded from bidding and from any future bids for at least four years. The new operator will be licensed to run a PCN at 1.8GHz using the same DCS1800 pan-European PCN standard as is to be used in the UK.

Bidders that have so far revealed their identity are led by BMW, the luxury car maker, MAN, the machine tool and truck manufacturer, Preussen Elektra, a subsidiary of power utility holdings company VEBA, and McCaw, the US cellular radio network operator.

Adding to the confusion of Germany's mobile communications sector, GSM and PCN are not the only mobile communications opportunities in Germany.

The ministry is planning shortly to issue two national radiopaging licences based on the European radio messaging (Ermes) standard. Some 28 public automatic mobile radio networks have also recently been licensed and a mobile data communications licence is due to be issued.

At the same time new suppliers are entering the German market: Deutsche Telekom's legendary relationship with its house supplier Siemens is not as close as it used to be. Sweden's Ericsson and Finland's Nokia are supplying Deutsche Telekom with the radio technology for a wireless local loop programme in eastern Germany. Mannesmann Mobilfunk has selected US telecommunications giant AT&T to supply parts of its cellular network.

Anxious to gain their share of what they expect to be the largest European market, GSM handset manufacturers have made the German market their priority. Sweden's Ericsson, Finland's Nokia, the US's Motorola, the UK's Orbitel and Japan's Panasonic have all made their mark with prices about DM1,000 cheaper than the equivalent analogue cellular phones in Germany.

Most of their initial orders have come from the two network operators, anxious to see GSM handsets at last available to their subscribers.

"It is plain economic reasoning that operators must procure worldwide wherever quality is best and prices are optimal," says Mr Helmut Ricke, Deutsche Telekom chairman.

By 2000, Deutsche Telekom intends to achieve market leadership with over 3m subscribers to its GSM network. But so does Mannesmann Mobilfunk.

Now, however, the primary concern of both operators is simply to get their digital mobile telephone networks rolling and to dispel some of the confusion which surrounds Germany's mobile communications sector.

Hans Gusbeth

THE US

Good ideas grounded

WHEN IT comes to personal communications, the US is bursting with ideas. Over the past two years, a staggering 156 companies have applied for licences to set up trial personal communications services or PCSs. But a complicated regulatory process and a wrangle over radio spectrum threaten to delay the introduction of commercial PCSs — a delay which analysts say could cost the US economy billions of dollars.

PCSs — referred to in Europe as PCNs or personal communications networks — have been allowed to acquire a more flexible definition in the US than in Europe.

In Europe, PCN has come to mean a version of the GSM digital cellular system employing smaller-sized cells and higher frequencies. The European Telecommunications Standards Institute has produced a detailed specification for it under the title of DCS-1800. All PCN operators in Europe will be obliged to make sure their systems conform to this standard.

In the US, as long as a proposed PCS uses the appropriate frequencies and does not interfere with other services, the Washington-based licence awarding authority, the Federal Communications Commission (FCC), cares little about the proposed technology. The result has been an explosion of enthusiasm and ideas about personal communications.

PCSs, either already or soon to be in trial operation, range from enhanced versions of home cordless telephones allowing outgoing calls only when away from home, to PCN-like modified cellular radio systems with full two-way communications and uninterrupted conversations even when travelling at high speed in a car.

Many US proposals for personal communications go well beyond the original European concept. Chicago-based Motorola, for instance, wants to create a global pocket phone system by mounting radio base stations on satellites.

Telecoms giant AT&T has joined up with the Californian based GO Corporation to develop a personal communicator which integrates voice, data, fax and electronic mail with handwriting recognition.

The FCC — vital to the development of PCSs because of its regulatory function — has, under the chairmanship of Mr Alfred Sikes, been supportive of those looking to create these services. It has awarded over 130 licences for PCS trial systems across the US.

But in spite of the will to be helpful, there are problems. The FCC's decisions are made by a panel of seven politically appointed commissioners, not all of whom are as enthusiastic about PCS as Mr Sikes. And the FCC itself is answerable to an unpredictable Congress.

At the end of July, the FCC's PCS plans suffered a setback when a Senate committee moved to block the FCC's ability to free its proposed PCS band.

The Senate move followed intensive lobbying by the utilities and emergency services which are the main users of the frequencies. In spite of an FCC proposal that PCS newcomers compensate incumbents for moving to new frequencies, the current users are proving reluctant to make the move.

"The microwave lobby is proving to be very stubborn. A feeling of not wanting to give up what you've got has taken hold," says Mr Michael Vernetti, senior vice-president of Telocator, the trade association which looks after the interests of operators of mobile communications networks.

Many also see problems with the FCC's licensing procedures. In particular, the system of first awarding trial licences, then later selecting commercial operators by lottery is causing friction with industry.

"The idea of spending hundreds of millions of dollars without knowing whether or not we would be able to profit from our investment is difficult to justify," says Mr David Frear, vice-president and chief financial officer of New York-based Millicom, which, despite being one of the first recipients of a PCS trial licence in May 1990, suspended its PCS experiments at the end of 1991.

The speed of the process is also under fire. In December 1991, Millicom filed an application to be allowed to operate wireless local telecommunications networks in the UK. Last month, Millicom was promised its licence. "It's three years since we asked for authorisation to run a PCS from the FCC," says Mr Frear.

By the FCC's own admission, the process of awarding licences is a slow one. "We have still not managed to award all of the cellular licences," says an official.

By its own calculations the FCC is unlikely to be able to award PCS licences before 1994. But this could easily slip into the second half of the decade, complains Mr Frear.

Estimates of the economic impact of delays to PCSs run to billions of dollars.

Mr Chuck Jackson, vice-president of the Washington-based firm of consulting economists, National Economic Research Associates (NERA), estimates the delay in authorising PCSs is imposing costs to the US economy of "somewhere between $1bn and $10bn a year".

In a study not yet published, Mr Jackson and NERA colleagues Mr Jeffrey Rohlfs and Ms Tracey Kelly, show that the cost to the US economy of not licensing cellular when it was first technically feasible in the early 1970s was $86bn. "And that's a very conservative estimate," says Mr Jackson. If factors such as the effect on the competitiveness of US manufacturers were taken into account, he says, the figure would have been as high as $120bn. "Whichever way you look at it, it's a lot per household in the US."

The FCC and the PCS lobby both hope that the House of Representatives will overturn the Senate's block on the FCC's PCS spectrum plan before Congress adjourns in October. By the time it meets again, there will be a new Congress. And probably at least a few new commissioners at the FCC. What happens then is anybody's guess.

Peter Purton

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FINANCIAL TIMES SURVEY

European Finance and Investment: The Netherlands

SECTION IV

Tuesday September 8 1992

As they fine-tune their new merged entities, Dutch financial institutions are learning that size, while important, is not everything, even in a small country such as the Netherlands. Fresh challenges are looming. **Ronald van de Krol** reports

Tie-ups go on trial

THE wave of big mergers that washed over the Dutch banking and insurance world over the past two years has now receded, leaving all the leading institutions with either a new partner or with the conviction that they can go it alone for the moment.

Although the frenzied merger activity of the early 1990s is not expected to make an early return, the Dutch financial sector still faces a variety of challenges and changes.

First and foremost, the three biggest players – ABN AMRO Bank; Internationale Nederlanden Groep (ING Group), the banking-and-insurance group; and Rabobank and its insurance partner Interpolis – must reap the benefits which motivated the mergers in the first place.

At the same time, the large financial groups must satisfy themselves and the financial community that they have erected sufficiently high and fortified "Chinese walls" between their various operations, which range from merchant banking to lending and from stockbroking to insurance.

Equally important, domestic banks and insurers will continue to face pressure and competition from foreign institutions attracted to the Netherlands' open market.

For the time being, however, no big mergers between the leading domestic institutions are likely. Earlier this year, Mr Wim Duisenberg, president of the Nederlandsche Bank, the Dutch central bank, said "the pie has been divided" as far as the large financial institutions are concerned, indicating that the central bank would oppose any link-ups between the three biggest players. Already, ABN Amro, ING and Rabobank have 80 per cent of the Dutch banking market between them.

There is also another reason why further tie-ups at the very top of the Dutch financial world are unlikely, especially between the biggest existing banks and insurers.

Mr Robertus Hazelhoff, chairman of ABN Amro, which was created out of the merger between ABN and Amro, the country's two largest banks, notes that additional large-scale banking-and-insurance mergers are ruled out at present "for the simple reason that US law does not allow a company to be active in banking and insurance."

ABN Amro has a large presence in the US – principally in the state of Illinois and on Long Island – as do the big Dutch insurers Aegon, Amev (which is now part of Fortis, the Belgian-Dutch banking and insurance company) and Delta Lloyd (whose UK parent company is also active in the US.)

For this reason, the merger in early 1991 between Nationale-Nederlanden, the Netherlands' largest insurer, and NMB Postbank, the country's third-biggest bank, to create ING was a good fit: although Nat-Ned has extensive US insurance operations, NMB's US presence is relatively modest.

The US Federal Reserve Board has granted the merger partners an exemption until 1995 from US laws limiting combinations of banks and insurers.

It is possible that US laws limiting link-ups between banks and insurers will be relaxed in the meantime, and this could lead Dutch banks and insurers to look again at further tie-ups.

At home, the mergers have run into no legal trouble, although it is clear that any further concentration by the biggest institutions would cause difficulties.

The spate of Dutch "allfinanz" partnerships was made possible by a January 1990 decision by the finance ministry to repeal a "gentleman's agreement" barring big cross-shareholdings between the insurance and banking sectors. This, in turn, reflected the blurring of distinctions between financial products and distribution channels at the retail level, as banks and insurers increasingly encroached on each other's territory to compete for the savings of Dutch households.

Still, both the central bank and the finance ministry insist that the new financial conglomerates must keep the operational sides of their banking and insurance arms strictly separated, partly because the two industries continue to be supervised by distinct regulatory bodies.

Officials are also keen to ensure that proper "Chinese walls" are erected to keep sensitive information about clients from flowing between the lending, stockbroking, merchant banking and insurance sides of the country's financial institutions. Mr Willem Scherpenhuijsen Rom, chairman of ING, says it is made clear from the outset which "counter" his group's clients are talking to when they do business with the company. But at the board level, management must have a complete overview of developments in both the insurance and banking arms.

Because of their sheer size, ABN Amro and ING in particular often find themselves at the centre of the debate on the power of the Netherlands' financial institutions.

As the country's two top private-sector investors, they each hold equity stakes in many Dutch bourse-listed companies of 5 per cent or more, enabling them to take advantage of the 5 per cent threshold for tax exemptions on dividend payments. Other institutional investors, including pension funds, also tend to hold stakes of 5 per cent or more in a number of Dutch companies.

But Dutch financial institutions say they have no intention to emulate their German counterparts, which generally own even larger stakes in their country's industrial companies and play a far more active role in policy through their seats in corporate boardrooms.

Although the number of mergers among leading Dutch financial institutions has declined since the surge of activity in 1990 and 1991, smaller deals and transactions are still being done, and there is potential for more. In July, for example, Delta Lloyd acquired Bank Cantrade, a small Dutch bank with a balance sheet of Fl 715m, ($453m) from a unit of Union Bank of Switzerland. Staal Bankiers, part of the Vendex International retail group, is still up for sale, as are small banking institutions affiliated to the Dutch trades union movement.

In the medium-sized banking market, speculation on the future of merchant banks Pierson, Heldring & Pierson and Bank Mees & Hope has been rife since their parent banks merged to form ABN Amro. But ABN Amro has consistently and firmly denied any desire to sell, saying the two banks' activities do not overlap. The sale of either merchant bank to an overseas competitor would step up the pressure of foreign competition on the Netherlands' already open financial market.

The coming together of ABN and Amro and their independently-run merchant banks Pierson and Mees into one corporate entity has accelerated the trend of bigger Dutch companies to seek out secondary banking relations with other foreign and domestic institutions. Thus, although the process of concentration has whittled down the number of domestic banks, it has not ended up shutting out foreign rivals.

To the embarrassment of Dutch banks, foreign institutions such as Goldman Sachs have managed to carve out a rich niche for themselves by carrying out capital market transactions that domestic banks cannot or will not attempt. When Elsevier wanted to divest its 33 per cent stake in fellow Dutch publisher Wolters Kluwer in mid-1990, it sold its shares to Goldman Sachs which used its placing power to sell the shares, worth more than Fl 700m, to international institutional investors.

Dutch banks have so far shied away from leading this type of risky block trading, thereby opening up opportunities for foreign rivals who have also been called in to advise on mergers and acquisitions, including both the ABN Amro and the ING deals. The opening of an Amsterdam office earlier this year by S. G. Warburg indicates that there is still room for foreigners in the Netherlands' consolidated banking market.

As they fine-tune their new merged entities, Dutch financial institutions are learning that size, while important, is not everything, not even in a small country like the Netherlands.

Amsterdam stock exchange: The frenzied merger activity of the early 1990s is not expected to occur again soon *Picture: Ashley Ashwood*

IN THIS SURVEY

■ THE ECONOMY

Tougher times ahead

CLOSE trading ties with Germany have so far enabled the Netherlands to stave off the blow of recession which has struck most Anglo-Saxon economies.

Germany's own struggle to finance unification may have helped push up Dutch interest rates and the cost of living but, on balance, the Netherlands has fared well by the dismantling of the Berlin Wall, an event which has had the important effect of making its biggest trading partner even bigger.

However, the Netherlands, like Germany, has not been able to bask in a post-unification glow. After several years of enjoying Europe's lowest rate of inflation and highest rate of job creation, the country faces harder times ahead as the cost of living rises and the pace of economic growth grows.

Official projections by the semi-official Central Planning Office show that recession will be avoided but economic statistics make clear that the boom years of the late 1980s are well and truly over.

At the same time, the Netherlands faces the formidable task of meeting the convergence criteria for Economic and Monetary Union (Emu) which were drafted at the Dutch-hosted Maastricht Summit of EC leaders in December 1991. Although the country's financing deficit is falling steadily, the government's overall indebtedness remains well above Emu standards and inflation continues to be a problem.

Dutch officials are confident that the Emu targets can be met but success will depend ultimately on the government's ability to rein in spending.

The open, export-orientated nature of the Dutch economy also means that developments in the Netherlands hinge crucially on the robustness – or otherwise – of world trade.

The Netherlands exports a full 60 per cent of its gross domestic product (GDP) in the form of goods and services. This percentage is rivalled only by Belgium and is well ahead of the proportion of exports achieved by key industrial countries such as the US, Japan and Germany, whose exports account for between 10 and 30 per cent of GDP.

This reliance on exports can be a double-edged sword, causing difficulties in times of stagnant world trade and bringing benefits when international commerce is more buoyant. In 1991, in any case, exports were a boon to the economy, accounting almost single-handedly for the overall economy's growth at a time when domestic consumption was virtually flat.

Exports by volume (excluding oil, natural gas and other forms of energy) rose by 5 per cent in 1991 and are forecast to show a further gain of 4.5 per cent this year. Overall economic performance was less strong, however, with the rate of growth in GNP falling to 2 per cent from 4 per cent in 1990. Forecasts for 1992 vary, but most economists are projecting rates of between 1 and 2 per cent.

Duisenberg: Report mentioned effect of exports to Germany

The importance of Germany is reflected in the fact that exports to the Netherlands' powerful eastern neighbour were up 12 per cent last year. What's more, Germany accounted for an even larger percentage of Dutch foreign trade than normal, absorbing 30 per cent of all Dutch exports compared with 28 per cent the year before.

Some economists note that the 12 per cent rise in exports to Germany is lower than that of, for example, Denmark (which had a 21 per cent rise) or Italy (whose exports to Germany jumped by more than 15 per cent.) They also argue that Dutch exports to Germany are heavy on horticulture and foodstuffs but light on value-added industrial goods.

However, Mr Wim Duisenberg, president of the Dutch central bank, argues in his 1991 annual report that "The relatively lower rise in exports to Germany does not imply that their effect on the overall economy was more limited than in other countries. Because of the relatively large share of German exports in (Dutch) GDP, this contribution to economic growth in 1990 and 1991 was bigger than all other EC countries with the exception of Belgium, which saw a slightly higher contribution."

Horticulture, the biggest single component of Dutch agricultural exports – themselves a powerful motor behind the domestic economy – has indeed been the main beneficiary of the tearing down of the Berlin Wall and the opening up of East European markets.

Kok: His anti-inflation efforts will be bolstered in October

Exports to Poland and other former Soviet bloc countries of Dutch hothouse-grown products such as tomatoes have soared by nearly 1,000 per cent from, admittedly, the very low levels seen in the communist era.

The union of former East and West Germany has meant that the enlarged country now absorbs 52 per cent of all Dutch foreign horticulture sales, up from 48 per cent in 1990.

Thanks in large part to the Netherlands' traditional role as the world's third-biggest agricultural exporter after the US and France, the country produced a Fl 18.5bn current account surplus in 1991 and economists forecast further increases in 1992 and 1993.

The continued rosy picture of the Netherlands' external economic relations is in sharp contrast to the state of the government's finances. Despite steady progress in cutting the financing (or budget) deficit, the state's overall indebtedness is still huge, putting it in the same league as Belgium and Italy.

Total government debt is equivalent to 80 per cent of GDP, well above the "Emu reference level" of a maximum 60 per cent. However, government projections show that the indebtedness ratio will have fallen to 76.5 per cent by 1994, enabling the Dutch to meet an alternate stipulation that debt must be showing a sufficient decline to put it on target to reach the reference level at "a satisfactory pace".

The Dutch financing deficit is less of a problem because it is forecast to fall to 2.4 per cent of GDP by 1994, compared with 3.75 per cent in 1991, enabling the Netherlands to fulfil the Emu norm of 3 per cent.

Dutch long-term interest rates, currently at around 8.75 per cent, are comfortably within the EC range, but inflation is more problematic.

After boasting the lowest rate of inflation in the EC from 1987 to 1990, the cost of living shot up to 3.9 per cent in 1991 and has exceeded 4.0 per cent during most of 1992.

At these levels, Dutch cost of living increases do not meet the Emu criterion that a country's cost of living may not be 1.5 points higher than the three best-performing EC member states.

The rekindling of Dutch inflation is only partly the result of imported inflation from Germany. In fact, about half of the recent increases can be attributed to government policies such as increases in state-controlled rents and higher environmental levies on fuel.

Mr Wim Kok, the Dutch finance minister, has undertaken to get inflation below 3.5 per cent, putting the Netherlands within range of the Emu criteria. His efforts will be bolstered in October by a planned one-point reduction in the upper-band rate for value-added tax (VAT), to 17.5 per cent from 18.5 per cent.

He has vowed that the reduction will have no effect on the 1993 budget, scheduled to be unveiled on September 15.

Ronald van de Krol

■ SAVINGS

Competition is intensifying following removal of curbs

COMPETITION in the Dutch savings market is hotting up following the removal of barriers preventing banks and insurers from owning shares in each other.

While Dutch banks are linking up with insurers to sell life assurance products, insurers without bank connections are selling traditional bank products such as money market funds and savings deposits.

"Competition is getting tougher than before", says Mr Robertus Hazelhoff, chairman of the Netherlands' biggest bank, ABN Amro. "High interest rates have made consumers more conscious of competition."

As barriers to cross-border European trade in services are dismantled, insurance companies and banks from neighbouring countries are also entering the fray.

Meanwhile a slowdown in the Dutch economy and changes in tax rules, which have reduced the tax advantages of a single premium bond, sales of which boomed last year, have also increased the pressure.

The involvement of Dutch banks in insurance is not a new phenomenon. Indeed in 1989, the year before deregulation, banks acting as agents for insurance companies, sold 13 per cent of all insurance policies. But since 1990 there has been a qualitative change.

So-called "allfinanz" is best known in the Netherlands by virtue of the merger which created Internationale Nederlanden Groepe, the biggest bank insurance venture of its kind in Europe. The merger's early months, following its agreement in March 1991, were not entirely trouble free. One problem was a short boycott of ING products by brokers.

The issue remains a sensitive one in the ING boardroom and insurance sales at NMB and Postbank branches are being only gradually increased The merger is far from popular in the Dutch financial markets where analysts are critical of the ING management's failure to reduce costs.

However, first-quarter 1992 figures show that the group is recovering from these initial difficulties. Moreover, the performance of the Netherlands' second- and third-largest allfinanz ventures, those linking Amev with VSB Bank and Rabobank with Interpolis, has been much more impressive.

Amev's sales of life assurance products grew by 24 per cent in 1991 while in 1991 Interpolis, the Tilburg-based insurer, doubled its income from sales of new life insurance premiums between 1990 and 1991, following its takeover by Rabobank. Interpolis' share of the market for new life business grew from 8 per cent to 14 per cent.

Insurance companies without bank connections have hit back by launching their own savings products

Salomon Brothers, the US securities house, expects the trend to continue. "Over the last 10 years, direct sales have grown and now account for between 20 and 25 per cent of total sales," it said in a recent publication and it predicted a doubling in market share by banks in the next few years.

Insurance companies without bank connections have hit back by launching their own savings products. Aegon, the second-largest Dutch life assurance company, has entered the market by setting up its own bank subsidiary.

At the end of 1991, Aegon's mortgage bank subsidiary, Friesch-Groningsche Hypotheekbank, acquired a general banking license and has subsequently marketed a deposit savings account which yields returns several basis points higher than those available from mainstream banks.

The Dutch subsidiary of Equity & Law, the UK life assurance company owned by France's AXA group, and the French bank, Credit Lyonnaise have also entered the savings market with similar high-yielding products.

The new entrants in the market are helped by their ability to use the country' highly efficient payments and inter-bank clearing system, in which payments for utilities such as gas, water and electricity can all be debited directly without the use of cheques.

This has caused some consternation among bankers. "We've built up the infrastructure and now they are taking advantage of it," complains a senior executive at Rabobank.

"We don't like it very much but there is nothing we can do about it. From a legal point of view it is very difficult to refuse them," adds Mr Hazelhoff of ABN Amro.

Meanwhile, there are also some indications that some life assurance savings could be diverted into deposit accounts and money market funds.

The amount of a single premium bond investment which Dutch savers can reduce from their income tax bills was reduced earlier this year.

Analysts identify the removal of the tax advantage as one of the reasons why life assurance growth has appeared this year. Analysts are expecting premiums to grow by between 8 and 10 per cent this year, compared with 15 per cent last year. "There is absolutely no doubt about the slowdown," says Mr Herman J. van Everdingen, analyst with Van Meer James Capel in Amsterdam.

Van der Meer sees competition for life assurance products intensifying as the acceptance of unit-linked policies, in which policyholders win greater rewards and accept a greater share of the risk, becomes more widespread. "In the old days, premiums were calculated on the basis of a 4 per cent yield. It was relatively easy to make a profit," he says.

Richard Lapper

High interest rates have made consumers more conscious of competition in the Dutch savings market

Picture: Lydia van der Meer

■ CO-OPERATIVES

A period of rapid change

VISITING the offices of Interpolis insurance in the bleak southern Dutch town of Tilburg, the mutual company still seems provincial and close to its roots as an insurer of Dutch farmers.

Receptionists do not speak English. Staff are unfamiliar with the names of their counterparts at Rabobank, the giant Utrecht-based bank which took virtually complete control of Interpolis nearly two years ago.

And senior executives still refer to their prospective merger partners, Avero Centraal Beheer, based in the small northern town of Appeldoorn, as coming from "north of the rivers" – the largely urban area north of the Rhine and the Moose.

But appearances prove to be deceiving. Like other Dutch mutual and co-operative banks and insurers, Interpolis is undergoing a period of rapid change.

For one thing the mutuals are embracing the fashion for mergers which has take hold of the country's financial services sector since legal change in 1990.

Rabobank, the Netherlands' second-biggest bank, has linked up with Interpolis, taking over control of the insurer two years ago.

In a further step, Interpolis will merge with Avero Centraal Beheer, which is itself the product of a 1990 merger between Centraal Beheer and a group of smaller mutuals.

Having agreed merger plans last November, in June Interpolis and AVCB agreed to a share exchange, swapping 15 per cent holdings.

Interpolis and AVCB senior executives will exchange seats on each other's supervisory and management boards.

Both Interpolis and Rabobank agreed to harmonise their information and distribution systems.

Before the end of 1993 the two groups are planning a full merger, although negotiations about the final shape of the new holding company and Rabobank's share within it are still continuing.

In any event, the new insurance conglomerate, will be the country's second-biggest, with annual premium income in the Netherlands of Fl5.5bn, while the broader financial holding will provide Internationale Nederlanden Groepe, the country's biggest holding group, with its stiffest competition.

The logic of the merger is to bring together Rabobank's strength as a distributor – its dense branch network and loyal customer base – with Interpolis' expertise in administration.

The allocation of costs between the bank and insurer has evidently caused some teething problems, especially taking into account the fact that Rabobank's bank branches enjoy an unusual degree of autonomy.

"It will take some time before we can fully realise the synergies," says Mr Antonius van Bijsterveldt, of Interpolis. But both parties appear convinced of the long-term strategic sense of the merger.

Since 1990, sales of single premium bonds have boomed in Rabobank's network of 2,500 branches

Already the Interpolis link-up with Rabobank has yielded fruit. Since 1990, sales of single premium bonds in Rabobank's network of 2,500 branches have boomed.

Interpolis doubled its income from sales of new life insurance premiums between 1990 and 1991, increasing its share of the market for new life business from 8 per cent to 14 per cent.

In other respects too, the mutual insurers are at the forefront of the battle for distribution.

Centraal Beheer pioneered direct sales of motor and health insurance in the Netherlands, selling direct to the public via a combination of media advertising, telephone sales and the use of state-of-the-art expert systems.

In the mid-1980s, Centraal Beheer won 60 per cent of the private health market by direct sales, halving the Dutch brokers' share of the market.

According to a recent study by Salomon Brothers, the share of the personal lines insurance market enjoyed by Dutch direct writers – of about 20 per cent – is higher than in any other European country.

AVCB is now the third-largest Dutch insurer with 13 per cent of the car and group pensions market and 11 per cent of the annuity markets.

Dutch mutuals, like their publicly-quoted counterparts, are increasingly turning their attention to the broader European market by linking up with mutuals in other European countries.

Rabobank has links with France's Credit Agricole, Belgium's SERA and Spain's Banco Popular.

Interpolis has lined up alongside Groupama of France, Assurantie Van Belgische Boerenbond of Belgium, the Farmers Union of the UK and R&V Versicherungs of Germany.

It is AVCB, however, which has taken co-operation to its furthest extent. Earlier this year, AVCB cemented a relationship with three northern European companies to form the Eureko partnership in a deal which contains two significant pointers for Dutch mutuals.

Firstly, the four partners – AVCB, Friends Provident of the UK, Wasa of Sweden and Topdanmark of Denmark – have agreed to pool their interests outside their own domestic markets into a common holding company, called EUREKO.

Secondly, the link-up has brought AVCB into direct contact with two companies that have chosen to change their de-mutualisation status. Both Wasa and Topdanmark de-mutualised in order to gain easier access to capital markets to finance future growth, following an example set by some of the world's biggest mutual companies such as Mapfre of Spain.

Mr Van Bijsterveldt is cautious about the future course of the new merged group's international co-operation. For the moment, Rabobank's cheap retail deposit base provides a relatively cheap source of capital for the group as a whole. "Capital is not a problem with the banks behind us," he says.

So, in the short term, Interpolis' more cautious approach seems likely to set the tone.

Richard Lapper

■ ELECTRONIC PAYMENTS

Important breakthrough on terminals

LEADING supermarkets and department stores in the Netherlands will soon be bristling with electronic point-of-sale payment systems, in a development which promises to help the country's banks lower their traditional losses on payment transfers, cheque-cashing and cash withdrawals.

The banks' efforts to promote point-of-sale payments achieved an important breakthrough in 1992 when the Netherlands' leading supermarket chain and its biggest non-food retailer both agreed to install a large number of automatic payment terminals in their outlets.

Albert Heijn, the biggest Dutch supermarket chain, and Vendex, the holding company for a variety of stores, including its flagship department store Vroom & Dreesmann, have signed separate, landmark deals with BeaNet, an electronic-payments company owned jointly by the Netherlands' banking industry. Another grocery-store chain, Unigro, has also committed itself to install electronic payment equipment in its shops.

Until now, large-scale penetration of point-of-sale equipment had been limited to Dutch petrol stations and, more recently, to Ikea, the Swedish furniture group, and to selected clothing retailers such as Peek & Cloppenburg.

The two latest deals are significant not only because they are expected to set a trend which will bring many more Dutch companies into the BeaNet fold. They are also noteworthy because Albert Heijn, which is operated by the Ahold group, and Vendex have both pledged to generate 45m point-of-sale transactions a year by 1995.

This guaranteed total of 90m transactions will put BeaNet well on the way to reaching an operational break-even point of 150m transactions a year by 1995, compared with 23m in 1991. Thanks largely to the automatic payment machines to be installed at Albert Heijn and various businesses within the Vendex retail group, the number of electronic point-of-sale machines is set to surge to 14,000 in 1994 from 6,500.

The sharp rise in point-of-sale systems looks likely to parallel the swift advance in recent years of automatic teller machines (ATMs) on the walls of Dutch banks and post offices as well as in public concourses, such as train stations, during the 1980s. Mr Robertus Hazelhoff, chairman of ABN Amro Bank, says: "ATM withdrawals now account for 50 per cent of all cash withdrawals compared with only eight years ago, when the percentage was still zero."

The Netherlands has roughly 4,000 ATMs in service, representing one machine for every two bank branches and post offices in the country.

Rabobank is reconsidering its options and intends to launch a revised plan

The use of ATMs is now so common and widespread in cash withdrawals that Dutch consumers are expected to take easily to using the same bank card and PIN (personal identity number) code to pay for their purchases in shops. Credit cards are also becoming increasingly popular, with more than 1m in circulation today compared with less than 300,000 in 1985.

In return for their guarantee on transaction levels, BeaNet agreed to give Albert Heijn and Vendex a discount on costs-per-transaction. Specific figures for the two deals have never been disclosed but industry analysts estimate that Ahold will pay about Fl 0.13 or Fl 0.14 per transaction, compared with the current minimum of Fl 0.15 for other BeaNet users.

BeaNet is just one of the banks' various initiatives to reduce the cost of the Netherlands' payments system and, by extension, their own expenditure on moving around their clients' money.

Mr Hazelhoff of ABN Amro, which estimates that it loses Fl 300m-Fl 400m a year on payment transfers, says the fact that payments transfers for private customers are "free" masks the real costs which are required to move money from one bank account to another.

Dutch banks have already moved to place restrictions on free services, such as limiting the number of free Eurocheques per customer to 60 a year. They are also considering introducing charges on current accounts to defray the costs of transfers, following the introduction of charges for corporate clients.

But the banks are proceeding cautiously in the light of the experience of Rabobank, the big Dutch co-operative, which was forced in March to retract its plan to levy an annual Fl 25 fee on its current-account holders. The fee caused a large outflow of savings from Rabobank to its competitors, particularly the Postbank which has vowed never to charge current-account holders for basic banking services.

Rabobank is reconsidering its options and intends to launch a revised plan in January. Rather than charging a flat Fl 25 fee, it will begin limiting the free use of the most expensive types of transfer instructions, particularly handwritten ones. But Rabobank says most clients will be able to avoid paying charges by tailoring their payment pattern to emphasise the cheapest types of transfers.

At industry level, the Dutch banking community as a whole has joined forces with the retail industry and employer groups in a national campaign to persuade consumers not to write out cheques for small amounts. The banks' figures for 1991 show that the average cheque was made out for Fl 125, well below the maximum allowable Fl 300. This average means that many cheques are written out for relatively small amounts, exacerbating the banks' cost problem.

The campaign aims to educate consumers about the true cost of paying by cheque

To change this cheque-writing behaviour, the campaign, launched on August 24 under the motto "Betaal op maat" [Pay to measure], aims to educate consumers about the true cost of paying by cheque.

Through nation-wide advertisements and quiz games on an afternoon television programme, the banks are seeking to encourage people to use cheques only for larger purchases of Fl 100 or more. Cash is preferred for smaller transactions, while electronic point-of-sale payments are desirable whenever possible, as long as the purchase price is not so small as to make cash the better option.

The banks say that by taking these steps, consumers could help save the banks Fl 200m a year in payment transaction costs. The implication is that if they do not, they can expect to start paying for current-account facilities and payment transfers.

For all their apparent readiness to adopt bank cards with magnetic strips and PIN codes, the Dutch are unlikely to take to "smart cards" – or cards which have a computer chip embedded in them, avoiding the need for on-line computer connections – anytime soon.

After an experiment lasting more than two years in Woerden, a town near the city of Utrecht, researchers found that only 3 per cent of transactions were carried out by smart cards, far below an initial target of 15 per cent.

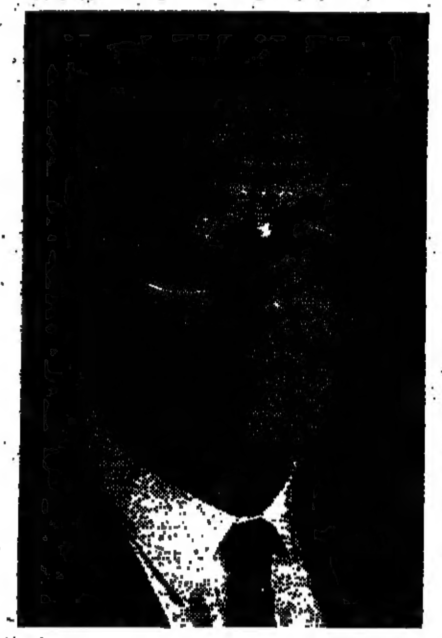
The experiment, the most comprehensive of its kind in the Netherlands, involved 180 shopkeepers and nearly 8,000 smart card-holders, or about 25 per cent of the town's population, in the period 1989-1991.

Among shopkeepers, non-food retailers such as clothing shops tended to be the most satisfied with the use of the new type of cards, while food retailers and other purveyors of daily, household items were less enthusiastic, which researchers put down to "their relatively low transaction amounts, their high number of cash purchases and heavy traffic at the check-out counter."

Commenting on the experiment's results, Mr Wim Kok, the Dutch finance minister, told parliament earlier this year: "It shows that other means of payment, such as cash or cheques, are not easily supplanted by chip cards."

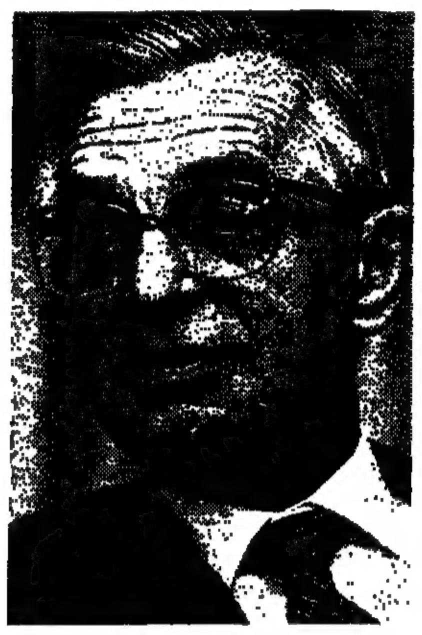
Magnetic bank cards, however, look like becoming a permanent feature at the check-outs of Dutch petrol stations, supermarkets and department stores.

Ronald van de Krol



ING chief Scherpenhuijsen Rom: former army officer trained as an accountant

ABN Amro chief Hazelhoff: the most powerful banker in the Netherlands



Former Amro chief and finance minister Nelissen: retired as chairman in May

■ PROFILES: New chiefs take over at ING Group and ABN Amro

Cautious conservatives

TWO years after the mergers that gave rise to the creation of the two biggest financial holding companies in the Netherlands, *new men are taking* over at the top of ABN Amro and Internationale Nederlanden Groep (ING Group).

Mr Robertus Hazelhoff, 61, in charge at ABN Amro, and Mr Willem Scherpenhuijsen Rom, the 59-year-old banker who heads up ING Group, are both typical of the cautious and conservative approach that runs through the Dutch financial sector.

The changes in command at ABN Amro and ING Group symbolise the start of the second phase of both mergers. The men who held the chairmanships in the first phase have now retired according to schedule, leaving their successors and former seconds-in-command to fine-tune the two biggest corporate tie-ups in Dutch history.

At ING, a further step in creating a new corporate entity is scheduled to take place tomorrow when NMB Bank – one of the constituent parts of the banking and insurance merger and well known overseas for its leading role in the trading of Third World debt – changes its name to ING Bank.

In a market increasingly vulnerable to competition from Europe, defensive considerations were uppermost in the thinking behind the mergers of ABN and Amro on the one hand and Nationale-Nederlanden and NMB Postbank on the other.

The sort of cost savings potentially available through cuts in branch networks which persuaded the UK's Lloyds Bank to bid for Midland Bank earlier this year do not figure prominently in the strategic perspectives of either Mr Hazelhoff or Mr Scherpenhuijsen Rom.

Neither merger was motivated primarily by cost-cutting considerations. At ING, the desire to bring together banking and insurance sprang from the dual attractions of using the bank's outlets to sell insurance and of encouraging insurance agents to sell banking products.

At ABN Amro, the goal was to combine both banks' domestic strengths to focus on retail and corporate business at home and to concentrate on trade finance, capital markets and private banking abroad.

Although they are both averse to taking risks, the two men differ sharply over the "allfinanz" principle

Early talk of ABN Amro's ambitions as a "global player" raised investor worries about a string of rapid, big, international acquisitions, but the pace of expansion has been moderate, in keeping with innate Dutch caution.

"The worst thing a bank can do is to be fashionable," says Mr Hazelhoff, glancing up towards the portrait of King Willem I, who founded the forerunner of ABN Bank in the beginning of the 19th century. "He's glancing over my shoulder and telling me not to do stupid things."

But although they are both averse to taking risk, the two men differ sharply over the "allfinanz" principle, which has been a key element of the ING merger and has also stimulated co-operation between other Dutch banks and insurers.

Predictably, Mr Scherpenhuijsen Rom is a firm fan. He *cites the financing of a big* urban development scheme in Rotterdam and tunnel projects in other parts of the country as examples of contracts that NMB Postbank might not have won had it not been linked to Nationale-Nederlanden, the Netherlands' biggest insurer.

Moves to reduce costs are also beginning to bear fruit. The group is half way towards achieving its goal of realising cost savings of Fl 100m a year. And after a slow beginning Mr Scherpenhuijsen Rom is hopeful that by accessing the loyal customer base of Postbank and NMB the group can boost sales of both life and general insurance policies.

Mr Scherpenhuijsen Rom dismisses suggestions that banks and insurance companies are entirely separate businesses which cannot be managed adequately if they are part of the same organisation. "Look at the number of conglomerates in the world. This is simply another example in the financial services industry. There are as many differences within the banking sector as between banks and insurance companies."

Although ABN Amro plans to set up its own life assurance subsidiary to sell life policies via its own branch network, Mr Hazelhoff is a firm opponent of any broader deal which would involve him in general insurance business.

"There is a difference between an insurer and a bank. I'm not interested at all in non-life business. All that I have seen in the last 10 years is four bad years and one good year and then the same all over again. They compete so strongly with each other. One thing or another – if it is not hurricane Hugo, it's agent orange or asbestos.

"There is more in it for insurance companies than for banks. The advantages for us are questionable. Perhaps it gives us access to long-term money. It could bring a certain amount of securities trading."

Moreover, as a broker, ABN Amro already distributes the products of several insurance companies from whom it earns commission income on insurance sales. By linking with one insurance company, the bank could damage this network.

Through pure coincidence, the changes in command at ABN Amro and ING took place within six weeks of each other this summer upon the scheduled retirement of both companies' chairmen. But the sense of transition in the upper echelons of the Dutch financial world was strengthened by the *fact that Mr Guus Zoutendijk*, the chairman of Delta Lloyd, the big Dutch insurer owned by Commercial Union of the UK, also retired at about the same time and handed over the reins to his successor, Mr Hans-Eric Jansen.

It would be wrong to place too much emphasis on the arrival of a new chairman at either ABN Amro or ING. Both Mr Hazelhoff and Mr Scherpenhuijsen Rom served as vice-chairmen in the first phase of their respective companies' merger, and the emphasis in both cases is on continuity rather than on change.

However, because of ING's hybrid banking-and-insurance composition, it is natural that people in the group's insurance arm will need to take a bit of time getting used to the idea of the top man being a career banker rather than an insurance executive.

This is all the more so because Mr Scherpenhuijsen Rom, a former army officer and a chartered accountant by training, succeeded Mr Jaap van Rijn, the gregarious former chairman of Nationale Nederlanden who for many years was the public face of the Dutch insurance industry.

At ABN Amro, the transition is, at first glance, more straightforward. The merger between ABN and Amro brought together the country's two most senior bankers, Mr Roelof Nelissen of Amro and Mr Hazelhoff, who headed ABN, into a single management team.

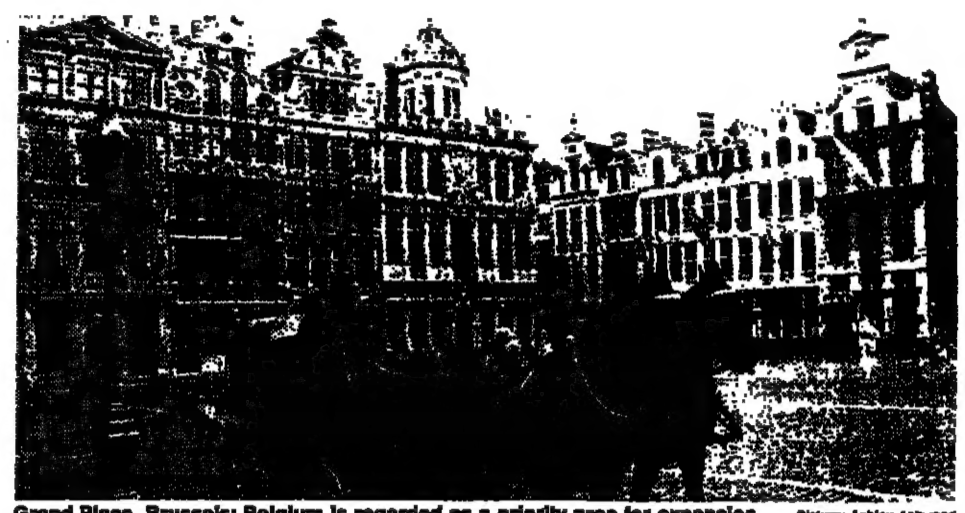
Mr Nelissen, a former politician and finance minister, retired as chairman in May, leaving the job to Mr Hazelhoff, whose demeanour and fondness for pipes leave the impression of a congenial classics professor rather than that of the country's most powerful banker.

As they take their merged companies forward, Mr Scherpenhuijsen Rom and Mr Hazelhoff will literally be able to keep an eye on each other's progress. ABN Amro has recently announced that its new head office is to be built in the Amsterdam neighbourhood of Buitenveldert, across the road and across the railroad tracks from ING's new offices which are currently under construction next to the city's World Trade Centre.

Richard Lapper and Ronald van de Krol

Insurers are looking to foreign markets, writes **Richard Lapper**

International focus



Grand Place, Brussels: Belgium is regarded as a priority area for expansion *Picture: Ashley Ashwood*

INSURANCE broker Cor Van den Bord regrets the fact that he cannot place big ticket commercial risks business with his native Dutch companies.

"It is a pity that our companies have not followed Dutch industry abroad," says Mr Van den Bord, who works with Amsterdam-based Alexander Bekouw. "It would be nice to place business with Dutch insurers."

The fact remains though that the Netherlands leading insurance companies barely compete in the market for the larger industrial and commercial risks business, leaving the field free for their larger French, Swiss and especially German rivals.

German companies such as Gerling and Allianz handle as much as a third of Dutch industrial risks business.

Dutch enthusiasm for the big margin and bigger risk business – the sort of policies that the country's multinationals such as Shell or Phillips would buy to protect their installations worldwide – has if anything been on the wane in recent years.

Internationale Nederlanden Groep, the financial services holding group formed when Nationale Nederlanden, the country's biggest insurer, merged with NMB Postbank, looks set to slash its already limited involvement.

This follows heavy losses at its Nederlanden Reassurantie Groep reinsurance and Orion subsidiaries in the London insurance market in recent years.

NRG has posted heavy losses as a result of reinsurance business underwritten by Victory, a company it acquired in 1990 for £122m. The company is suing its advisers who, it says, did not provide enough information about the shortfall in Victory's reserves. It is also reviewing its long-term commitment to reinsurance business.

Orion, which specialises in marine and aviation business in London, has made losses in three consecutive years in London. In early September ING announced it intended to close Orion's commercial risks operation and sell off the company's UK personal health business.

Mr Willem Scherpenhuijsen Rom, chairman of ING, says that the volatility of commercial lines business is leading him to favour personal lines and life business which provide more stable earnings.

In addition, ING lacks the specialised risk management and engineering staff. Mr Jaap Peters, chairman of Aegon, the Netherlands' second-biggest company, takes a similar line.

His company underwrites a *mixed book of general and life* business in the Netherlands but the accent is heavily on the lower-risk personal lines and life business.

Yet although the country's large insurers have no intention of challenging the world's leading industrial risks insurers, they have established international operations.

In 1991, for example, ING earned 53 per cent of its Fl 27.3bn insurance revenues from overseas operations, while in the same year Aegon earned 44 per cent of its insurance income from outside the Netherlands and more than a third from the US, where it is the biggest overseas life insurance company with a market share of 1.2 per cent in 1991.

ING and Aegon, as well as Amev, the country's third-largest private insurer, have all built up relatively extensive international operations, focusing their efforts on a selected number of international markets rather than seeking to have a large share of every leading market.

Priority areas for expansion for all three groups have included neighbouring Belgium, which Dutch insurers increasingly identify as part of an extended domestic market.

Amev's merger with AG Groupe, to create the Fortis company, signalled a general trend. ING has followed suit by acquiring an interest in the Brussels-based Banque Bruxelles Lambert.

Dutch companies have long-standing interests in the UK but are highly critical of British management which *they see as partly responsible* for the UK market's heavy losses in 1990 and 1991, and they are relatively unenthusiastic about further expansion.

Each of the three companies is excited by the prospects of rapid growth in Spain and Portugal – ING has expanded relatively rapidly in the health insurance field, for example. Dutch companies are also intensely interested in expansion in newly emerging eastern European markets where they believe long-term rewards could be substantial.

Aegon has led the way by acquiring Budapest-based Allami Biztosito, the former state-owned general insurer.

Above all, Dutch insurers are enthusiastic about their participation in the world's biggest insurance market – that of the US. For all three companies the US is the biggest international market, accounting for more than a third of Aegon's premium income and a quarter of ING's insurance earnings.

The Dutch companies have eschewed the top down, more centralised approach favoured by UK and some other European companies in the 1960s and 1970s and have not attempted to become "national players", selling all types of insurance in all areas of the US. Instead, they have focused on niche markets, exploiting the open yet highly-fragmented character of the US market.

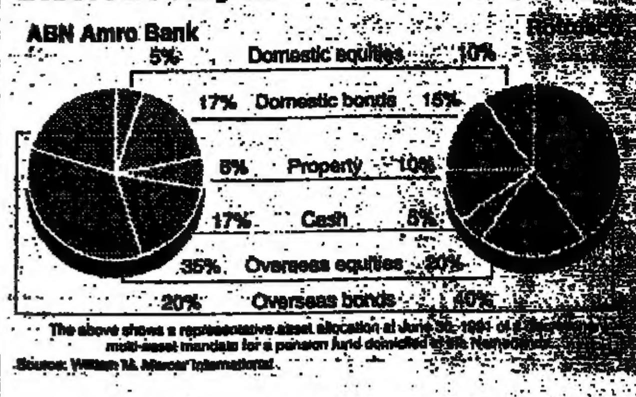
US Aegon has focused exclusively on life and health business, acquiring a string of regional life companies each with *separate specialisations* – in particular, life assurance products – since it began its push into the US in the late 1970s. It has avoided risky areas such as guaranteed investment contracts and group health products.

Each of the 11 companies acquired by Aegon in this period has a significant market share in its particular niche area. "We decided not to go into property and casualty insurance in the United States," explains Mr Peters. "If you make that decision you say goodbye to 50 per cent of the world's premium income. But you just can't make money in US liability business. It is so difficult to operate there."

Mr Peters says that the key to his group's expansion has been the desire to give the local management of each concern more responsibility. Mr Peters visits each operation frequently and takes a close interest in performance.

"You have to decentralise and give responsibility to local people. You get to know them and make them partners in the business. They have to feel that they are Aegon people. You have to find the right kind of control."

■ PENSIONS



Doors open for managers of non-domestic parentage

THE Netherlands, purportedly home to the world's oldest stock exchange, has no shortage of fund management expertise.

Indeed, the names of some of its largest and oldest fund managers, such as ABN Amro and Rabobank, are household names in other European capitals.

But now, changing appetites among fund managers' clients – pension funds in particular – have opened the doors for an influx of non-domestic fund managers into the Netherlands.

A list of the 25 largest fund managers in the Netherlands – a list compiled by consulting actuaries William Mercer Fraser International – shows that 16 of them are non-Dutch.

Of these fund managers, six have a British parent, three a Japanese parent, three an American parent and two have German parents.

The rise of foreign fund managers in a country which so clearly has home-grown expertise suggests that tastes are indeed changing, according to Ms Julia Hobart, senior consultant at Mercer Fraser.

It also suggests that unlike many of its European counterparts which have been putting in place restrictions to prevent the encroachment of foreigners in that industry, the Netherlands, like Britain, is a relatively open market.

What has fueled the growth of Dutch fund management expertise in recent years has been its pension laws. These have helped to build the largest pool of funded pension schemes outside the UK.

Analysts say that the influx of foreign firms reflects general recognition of the size of the potential market

An estimated $270bn lies in public and private sector funds. Of these, ABP, with assets of nearly Fl 160bn, is the world's second-largest pension fund and PGGM, which covers hospital and medical care workers, is also among the world's largest.

There are more than 80 industry-wide pools in the Netherlands, a development which has concentrated relatively large amounts of pension money in the hands of relatively few managers.

The Netherlands is also home to some of the biggest single-employer pension schemes of such household names as Royal Dutch Shell and Phillips, the electronics giant, and these are managed in-house.

"On the Continent, the big funds are much more involved in decisions on asset allocation," Ms Hobart said.

"This has opened the door to the use of specialist managers. The foreign firms are rarely employed to do balanced portfolio management – it is almost always specialist mandates."

But despite the growth of foreign fund managers, pension funds are hardly rushing to put their money abroad.

Data from InterSec Research, a firm specialising in international pension research, notes that Dutch private sector pension funds increased their foreign share ownership to 13.1 per cent of total portfolios in 1991 from 8.4 per cent in 1988.

However, the data suggests that some of this shift may have been at the expense of investments in international bonds.

By 1991, non-Dutch bonds formed 4.7 per cent of Dutch portfolios, down from 6.9 per cent in 1988.

"Dutch pension funds are risk averse," said a fund manager at one leading Dutch bank.

Indeed, the latest data from the Dutch Central Bureau of Statistics shows that the average of pension funds has some

Julia Hobart: "big funds are much more involved"

75 per cent in fixed-interest securities and the pension funds historically have been the primary purchasers of government debt.

ABP alone holds roughly 20 per cent of the government's debt securities.

But ABP, partly because of its size, may be more adventurous than most of its smaller counterparts.

In 1989, after strenuous efforts, it won the right to invest up to five per cent of its assets abroad and has since then made several well-publicised moves into the international property market.

Among professional fund management companies, ABN Amro, one of the Netherlands' largest, has allocated 35 per cent of its average multi-asset discretionary pool to international equities, another 5 per cent to domestic equities and a relatively modest 37 per cent to domestic and foreign fixed interest.

Cash, however, accounts for a further 17 per cent of assets.

Rotrusco, a division of the Robeco Group, has a somewhat more modest weighting in domestic and international equities of 30 per cent in total and a 55 per cent weighting in foreign and domestic bonds.

The non-Dutch fund managers which have made real inroads into the market are almost exclusively doing so with specialist mandates for forays into Japanese, US or Continental equities or for experimentation with index-tracking and other quantitative management techniques.

That is not to say that Dutch fund managers themselves have failed to exploit the increasing trend towards internationalisation or passive management technique.

Henkelman, Pontier, Van Drie en Partners, based in Amsterdam, ranks 25th among fund managers but has only been around for 10 years. It was founded as an options brokerage firm and specialises in quantitative and options-oriented products.

Meanwhile, analysts say that the influx of foreign firms reflects both the general recognition of the size of the potential market there and the generally profitable nature of the business.

Despite the growth of foreign fund managers, pension funds are not rushing to put their money abroad

Because fund managers are typically subsidiaries of banks who operate brokerage arms as well, common practice calls for all share transactions to be effected through the parent company.

"They all provide rationales for why this is done, but when you get right down to it, they want the fee income," said one analyst.

Nominal fees are typically no more than 0.1 to 0.3 per cent of funds under management. "The absolute fee level is lower than that of the UK and the US, but the charge to the fund itself is higher," said one industry analyst.

Norma Cohen